

# Herald Tribune

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## Job Growth In U.S. Raises New Fears Of Inflation

### 'Good News for Worker' Translates to Worries For Financial Markets

By Lawrence Malkin

**NEW YORK** — The government reported Friday that the U.S. economy created almost half a million jobs last month. It was the best such figure in almost seven years, and it sent a wave of fear through financial markets that higher interest rates would be soon be coming to prevent the economy from overheating.

"That's good news for the American worker," said Alan Sinai, chief economist for Lehman Brothers Global Economics.

The figure was almost double Wall Street's expectations, and that sent interest rates on 30-year U.S. Treasury bonds leaping in the thin Good Friday holiday market. Because these rates pulled down U.S. and other stock markets all last month, expectations were for further declines when the stock markets, which were closed Friday, reopen Monday.

New hiring at the end of the winter freeze that had gripped much of the United States, as well as rebuilding efforts after the Los Angeles earthquake in January, led to the creation of 456,000 jobs in March. That was the largest number since 556,000 in October 1987, which was the peak of the last financial boom and the month in which the Dow Jones industrial average lost 22.6 percent in a single day.

The unemployment rate held steady at 6.5 percent in March as formerly discouraged job-seekers returned and swelled the labor force, many of them to take up part-time or temporary jobs.

Even taking the first quarter as a whole, to try to iron out monthly aberrations as the U.S. economy has created an average of 208,000 jobs a month this year, a distinct improvement from the average of 170,000 a month in what was being called a "jobless recovery" in the first quarter of 1993.

"This is an extremely strong number," said David Wyss of DRI/McGraw Hill, who promptly raised his forecast of first-quarter U.S. economic growth to an annual rate of 4.5 percent.

Although this might be considered by some to be a welcome slowdown from the 1993 fourth quarter's superheated growth rate of 7 percent, it still is almost 2 full percentage points above what the Federal Reserve Board says the economy can normally handle without inflationary pressure on the labor supply and industrial capacity.

The reverberations in the few financial markets that were open Friday were exaggerated because of the thin holiday activity. The dollar jumped against the Deutsche mark on anticipation of higher U.S. interest rates, and inflation fears drove down the price of the 30-year Treasury bond down sharply. (Page 9)

Asked what this portended for the stock market on Monday, Mr. Wyss said: "Down."

The chain of events is complex, but Wall Street figures it works like this:

First, since the Fed raised interest rates two months ago, the market price of bonds has gone down as the interest rates they pay have gone up. Wealthy investors and funds that had borrowed money to buy bonds in the expectation that the opposite would happen — that

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**GOOD FRIDAY PROCESSION** — Christian Palestinians carrying a cross on Friday in Jerusalem along the Via Dolorosa, where according to tradition Jesus carried his cross. Meanwhile, plans to send a foreign force to patrol Hebron were criticized. Page 4.

## Japan Fires Back at U.S. Over Trade

### Tokyo's Salvo Cites a Broad Range of Restrictive Barriers

By Steven Brull

**TOKYO** — The government, striking back at Washington for a report that singled out Japan for its trade barriers, leaked to the press Friday its own study castigating U.S. trade practices.

But Japanese officials appeared at pains to respond coolly and calmly to the U.S. report itself in an effort to play down a confrontation with Washington that has pushed the value of the yen to painfully high levels.

"We do not need to swing from joy to sorrow on each item listed as a trade barrier," said the chief cabinet secretary, Masayoshi Takemura. "As a whole, the report contained tough criticism of Japan, but that will not lead directly to unilateral action."

A draft of Japan's own trade analysis, leaked to the financial daily Nihon Keizai Shimbun, said Washington was guilty of applying unilateral measures, excessive use of anti-dumping charges, quantitative restrictions and government procurement that favors U.S. goods.

The Annual Report on Unfair Trade Policies by Major Trading Partners charged the United States with violations in 9 of 13 categories, unchanged from last year, while the European Union had violated 4 categories, down from 6. For the first time, the report, which will be released in final form next month, included China and Taiwan, which are bidding to become members of the General Agreement on Tariffs and Trade.

"Our principle is to judge other countries based on objective rules," said a Trade Ministry official. "It's the antithesis of the U.S. approach."

Nevertheless, the government's measured response followed reports from Washington that officials were not planning any new sanctions against Tokyo for now. Concerned more immediately about the stability of the world's financial markets and about Tokyo's cooperation in dealing with North Korea, the United States has decided to give Tokyo more time to flesh out sketchy proposals issued earlier this week to

stimulate the economy and expand market access.

This restrained response is in striking contrast to some of the Clinton administration's tough language toward Japan in recent months.

Tokyo's tone also highlights what appears to be a conscious strategy to react passively in order to avoid exacerbating tensions and inflating the yen, which would inflict further pain on the Japanese economy.

Washington's sharp dismissal of Tokyo trade proposals earlier this week pushed the yen sharply higher, threatening to smother faint embers of growth that could mark the end of Japan's longest postwar recession. A strong yen makes Japanese products less competitive overseas and slows the overall economy.

Still, Hiroshi Kikumasa, the Japanese trade minister, fretted openly that the American report would set the stage for sanctions.

"Now that Super 301 has been revived, I am

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## Ally of Berlusconi Praises Mussolini as 'Greatest Statesman'

By Alan Cowell

**ROME** — Four days after a watershed election brought his party into the political mainstream for the first time, the neofascist leader, Gianfranco Fini, a member of the triumphant rightist alliance that stands to form Italy's next government, feted Benito Mussolini as "the greatest statesman of the century."

The remark in a published interview seemed certain to deepen fears among Italy's small Jewish minority, which still recalls Mussolini's race laws and the deportation of thousands of Italian Jews to Nazi death camps in World War II.

Not only that, the comment seemed likely to add to apprehensions elsewhere in Europe, particularly Germany, already troubled that Italy's rightist surge will embolden German neo-Nazis and strengthen their showing in a string of elections this year.

Mr. Fini, head of the National Alliance, which took 105 of the 366 seats that now form the rightist majority in the 650-seat lower house, was speaking as Silvio Berlusconi faced new troubles with his efforts to bring his rightist partners into line in a dispute over the formation of a new government.

Apart from the potential embarrassment from Mr. Fini's comments, Mr. Berlusconi, a millionaire media magnate who entered politics only three months ago, faced continued squabbles with the third member of his alliance, Umberto Bossi, the head of the separatist Northern League.

Thursday night, Mr. Bossi seemed to reverse a commitment to support Mr. Berlusconi in his bid to be Italy's next prime minister after the new Parliament meets for the first time in two weeks' time.

In a statement after Mr. Bossi met some of the Northern League's 106 deputies, a doubling of its lower house representation since the last elections in 1992, the party said it wanted its own parliamentary floor leader, Roberto Maroni, to be named prime minister.

Mr. Maroni met Friday with Mr. Berlusconi for further discussions on the shape of a new government.

Mr. Fini, too, has raised the odds in recent days, saying his party, the linear descendant of Mussolini's Fascists, would join a new government "on my own terms," in part a reference to his demand for direct presidential elections. Under the present constitutional arrangement, Italy's president is chosen by Parliament.

Moreover, in an interview with the Turin newspaper La Stampa published Friday, Mr.

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## Bribery Trial Sought for Fiat No. 2 and No. 3

Reuters

**ROME** — Investigating magistrates requested Friday that two of the top three executives at Italy's biggest private company, Fiat, be sent for trial for alleged corruption, judicial sources said.

Fiat's managing director, Cesare Romiti, and its finance director, Francesco Mattioli, were among 61 people recommended for trial in connection with alleged graft in the building of Rome's subway, the sources said.

If the magistrates' request is accepted, Mr. Romiti and Mr. Mattioli would become the most senior business figures to stand trial for corruption in Italy's Tangentopoli political kickbacks scandal.

Others recommended for trial included the disgraced former Socialist prime minister, Bettino Craxi, and the former head of Italy's giant state industrial holding company, Istituto per la Ricostruzione Industriale, or IRI, Franco Nobili.

The magistrates suspect that bribes totaling more than 100 billion lire (\$62 million) had been paid by businessmen to political parties in return for contracts, the sources said.

A judge must now rule whether a trial should proceed.

Mr. Romiti's lawyers said the allegations against their client were devoid of all foundation.

Mr. Romiti, 70, and Mr. Mattioli, 53, are the most senior executives at Fiat after the chairman, Gianni Agnelli. The company had no immediate comment.

The Rome subway inquiry began in October 1992, when magistrates in Milan ordered a search of the offices of Intermetro, the consortium that is building the subway and in which Fiat is a partner.

Mr. Romiti was questioned in the case in January.

The sources said charges in the magistrates' request ranged from corruption to the illegal financing of political parties and falsifying balance sheets.

## China Seizes Leading Dissident, Setting Stage for New Rights Friction

By Patrick E. Tyler

**BEIJING** — Seven carloads of Chinese security agents arrested Wei Jingsheng, China's most prominent dissident, as he was trying to return to Beijing by car on Friday after a month of self-imposed exile from the capital.

The decision to move aggressively against Mr. Wei, who was returning to Beijing to renew his pro-democracy and human-rights campaign, is expected to further complicate relations between China and the United States over Beijing's rights record.

China has two months remaining to show "overall significant progress" on a seven-point

human rights agenda that President Bill Clinton set out in a May 1993 executive order.

Without such progress at the end of 12 months, Mr. Clinton has warned that he will cancel China's favorable tariff privileges in the U.S. market. Such a move would risk retaliation against U.S. corporations operating in China or competing for huge contracts here.

Mr. Wei was taken under a warrant for arrest and interrogation, said his secretary, Tong Yi, who was traveling with him and witnessed the arrest. The secretary notified news organizations in Beijing by telephone. She said about 20 agents were involved in the arrest on the eastern outskirts of the city.

It was the second time Mr. Wei has been taken into custody in a month.

On March 4, he was held for about 30 hours after he had met secretly five days earlier with the U.S. State Department's senior human rights official, John Shattuck. In the meeting, Mr. Wei passed along a message to Mr. Clinton asking him to reinstate him in demanding that Beijing release its political prisoners.

The arrest on Friday under a special warrant by a large force of agents appeared to be a more premeditated police action to put Mr. Wei under control, but the pretext was unknown. Police officials and the Foreign Ministry had no immediate comment.

Mr. Wei's departure from Beijing on March 6 at first appeared to be part of a prearranged plan to meet the U.S. secretary of state, Warren M. Christopher, who held four days of rights talks in Beijing from March 11 to 14.

But after Mr. Christopher, under pressure from the Chinese leadership, announced that he had decided not to meet with Chinese dissidents, Mr. Wei stayed away from the capital and seemed to be awaiting the expiration of his six-month parole period, which ended March 29.

The Communist Party leadership has supervised the handling of Mr. Wei at high levels and is now apparently seeking to bring to an end the

free speech movement Mr. Wei has energized among the dissident community.

Officials lodged a vigorous protest with the U.S. State Department after Mr. Shattuck's meeting with Mr. Wei. They accused the human rights official of disregarding Chinese law and interfering in the country's internal affairs by meeting with a "convicted criminal."

On Thursday, officials sent a warning shot through the foreign journalist community here by notifying one Hong Kong-based newspaper that Mr. Wei would not be able to meet with foreign journalists or diplomats for three years.

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## In First, Gene Therapy Partly Cures Inherited Disease

By Rick Weiss

Washington Post Service

**PHILADELPHIA** — Marking a landmark achievement in the nascent field of genetic medicine, scientists have reported the first successful use of gene therapy to bring about lasting improvement in a patient with a life-threatening inherited disease.

The experimental technique, which involved replacing defective genes with normal ones, appears to have fallen short of a complete cure in the patient — a 30-year-old Quebec seamstress and part-time bank teller who is now healthy but remains at increased risk of early death.

But researchers familiar with the case hailed the results as the strongest evidence yet that genetic manipulation represents a practical approach to treating an array of lethal diseases.

"This is the first published account of stable, partial correction of a genetic disease using gene therapy, and that makes this a pretty important event," said Francis Collins, director of

the National Center for Human Genome Research at the National Institutes of Health. "This is proof that this approach, which has been talked about so much and has stirred a bit of controversy, can do what it's supposed to do."

The patient, who requested that her identity remain secret, suffers from a rare hereditary syndrome that causes cholesterol to rise to eight to 10 times normal levels, clogging blood vessels and precipitating heart disease.

Many victims of the ailment, called familial hypercholesterolemia, need bypass surgery while still in their teens. The Quebec woman had suffered a heart attack at 16 and underwent bypass surgery at 24. Most victims of the condition die from heart attacks in their 20s or 30s. The patient said that two of her brothers had died of sudden heart failure, and a sister was now ill with the disease.

The woman spoke with reporters this past week, almost two years after becoming the first person to receive the experimental therapy. She was flanked by her doctors, including James

M. Wilson, the University of Pennsylvania researcher who pioneered the radical therapy, and expressed relief that recent tests had indicated the procedure was largely a success.

"I had nothing to lose but to go ahead," she said. "And it's paying off."

The experiment was not the first gene therapy procedure performed in the United States; in 1990, National Institutes of Health researchers, after a prolonged debate over the scientific and ethical issues relating to genetic manipulation in humans, provided new genes to a child with an inherited immune system deficiency.

"Gene therapy is still very much in its early stages," Mr. Collins said. "But a few decades from now, when people look back, they'll see this as a significant milestone."

While impressed with the work, other scientists said that the technique is cumbersome compared to other gene therapy approaches under investigation, some of which avoid surgery by injecting gene-bearing viruses directly into the body.

## American Students Get an Uncommon Lesson in Japan

By T. R. Reid

Washington Post Service

**NAGOYA, Japan** — When the students from Baton Rouge, Louisiana, arrived at Asahi-ga-Oka High School, they passed a small wooden box near the entry, about where the gun detector could be found in many American schools. The box had been set out so the members of the Asahi-ga-Oka art club could deposit their yearly dues. A fair amount of cash had accumulated in the open box, just waiting there

for anybody in the school to steal it. But nobody did.

"Certainly we can learn something, we can learn a lot, from this society where crime is not common," said Clarence Jones, who introduced McKinley as principal and "security officer" of McKinley High School in Baton Rouge.

Mr. Jones led a group of McKinley students and teachers on a visit to this school. They hoped to "learn something" about how Japan has built a free and prosperous society that is largely unscarred by the delinquency, drugs and violence so familiar in urban U.S. streets and schools.

"We need help with our violence problem," Webb Haymaker, a McKinley senior, told the Japanese students. "It is the number one issue for Americans, and we hope we can get some help from you."

It was not just chance that brought Baton Rouge to Nagoya, an auto-making center 360 kilometers (225 miles) south of Tokyo. The students from McKinley came because of a specific — and tragic — event.

In the fall of 1992, an Asahi-ga-Oka student,

Yoshihiro Hattori, arrived at McKinley as an exchange student. One month later, the 16-year-old youth was dead — shot at point-blank when he knocked on a stranger's front door while searching for a Halloween party.

The killing became an international cause célèbre. In Japan, it sparked fury against the United States, particularly after the killer was acquitted by a jury.

A group of six students and three faculty members from McKinley traveled to Japan this past week to visit the slain student's high school.

"We wanted to bring a message of friendship and healing, and take home a message about combating violence," Mr. Jones said.

But no sooner had the Americans landed here than violence struck again. A Los Angeles carjacking last Friday in which two college students from Japan were slain rekindled the familiar fear and anger among Japanese.

Los Angeles police reported that they had arrested two men, aged 18 and 20, for the killings. That, too, became major news here. "Everywhere we've been in Japan, we've

mainly had to answer questions about the Los Angeles murders," Webb Haymaker said. "All you can do is apologize."

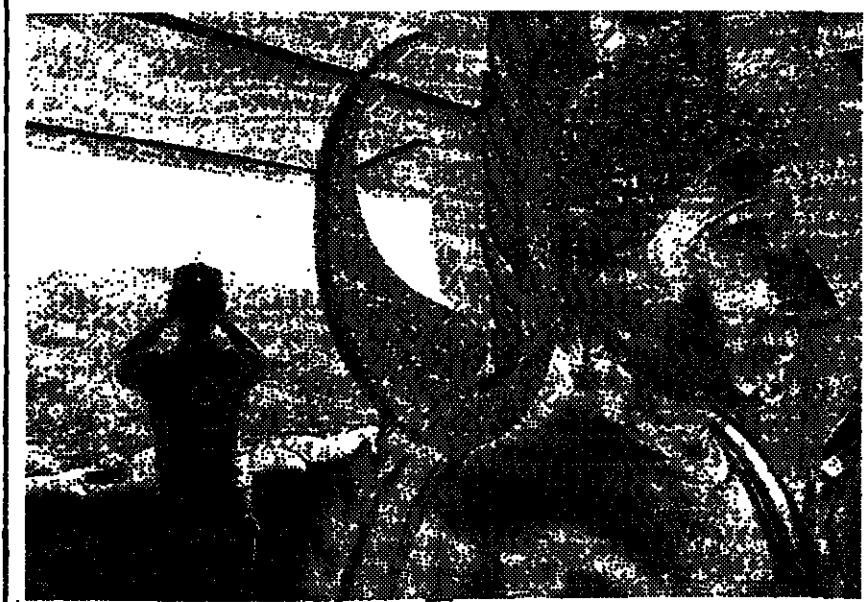
"Why do we have problems in our schools?" asked Mr. Jones, the principal. "Drugs. Gangs. Broken homes. The economy, unemployment. Eleven-year-olds selling drugs on the corner."

To the Japanese, this description sounds like a different planet. Japan has virtually no drugs, no guns, no single parents. The sick economy is a major problem, but unemployment is not. Companies feel a civic obligation to keep everyone on the payroll, even during the current long recession.

At one point, David Branton, a McKinley teacher, declared that "the U.S. made a very big mistake 30 years ago, taking prayer out of the public schools. Gun control is not the problem; the problem could be covered by the blood of the living Christ."

While the Asahi-ga-Oka kids were digesting that, Webb Haymaker provided a further shock by disagreeing publicly with his teacher: "I just want to say," he observed politely, "that I believe in the separation of church and state."

### Kiosk



**ON CAMBODIA'S BORDER** — A Thai soldier monitoring Khmer Rouge movements on Friday from a Buddhist shrine in a long-disputed region along the border.

## No Decision Set on U.S.-Seoul Games

Up and Coming

An occasional series about the leaders of tomorrow.

Krista Seger, the head of the Greens party in Hamburg, is known as a soft-spoken, hard-bargaining career politician with a flair for theatrics. She might also become the first Greens politician to win a direct mandate to the Bundestag in October. In Monday's Trib.

**Art**  
The story of a headless Cambodian statue and how it went home.  
Book Review  
Page 5.

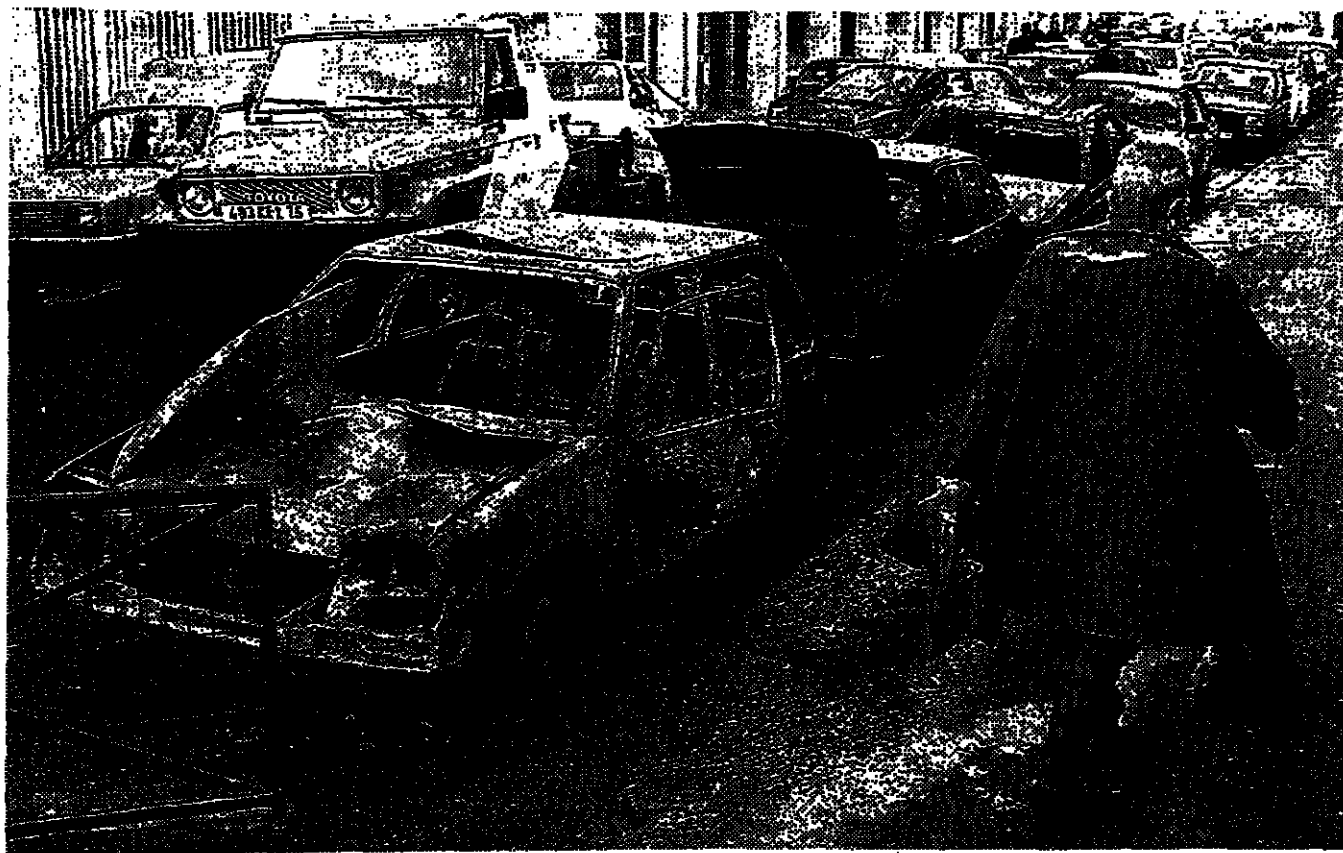
**WASHINGTON (AP)** — The United States and South Korea deferred a decision Friday on resuming joint military exercises while pursuing a diplomatic resolution of a dispute with North Korea over inspections of its nuclear sites.

After meeting with Defense Secretary William J. Perry, Foreign Minister Han Sung Joo of South Korea said Seoul was "continuing to discuss" with the United States a decision on joint military maneuvers later this year. "We have not reached a decision," he said.

Mr. Han said "we are leaving the door open for a dialogue and a negotiated settlement" following the United Nations Security Council's statement Thursday urging North Korea to readmit International Atomic Energy Agency inspectors.

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Some of the cars damaged in Paris streets by violent elements among the student demonstrators. More than 200 vehicles were wrecked.

## Merchants Protest Paris Riot Damage Police Restraint Questioned

Compiled by Our Staff From Dispatches

PARIS — Shopkeepers threatened Friday to form their own self-defense force to combat rampaging youths and denounced the police for failing to prevent widespread vandalism during the student protests.

Interior Minister Charles Pasqua said the government would not tolerate a "shambles" in the city, but he said that if the police had intervened more forcefully "we would not be deplored broken windows but possibly deaths."

Looting and street battles occurred in several cities Thursday as renegade youths rampaged during generally peaceful marches by students celebrating the withdrawal of a law that would have cut the minimum wage for young people entering the labor market.

The worst violence occurred in Paris. Police headquarters said 120 policemen were injured and 335 people arrested.

Scores of vehicles were damaged and windows were smashed in more than 100 stores, hotels and banks.

The national shopkeepers organization said it was "scandalized by the lax and irresponsible attitude of security forces" during the disturbances.

The group's spokesman said shopkeepers were prepared to form their own "intervention groups" to combat vandals. "Given the disastrous social and economic climate, protests can only multiply in the coming months," the organization said. "French shopkeepers are fed up with becoming the scapegoats of each demonstration."

Mr. Pasqua said deaths might have resulted if commanders had ordered the riot police to charge into the throng of demonstrators in an effort to catch the minority of troublemakers.

"We had a crowd of peaceful demonstrators who were marching in calm," he said.

"The wreckers infiltrated into the midst of them."

He said that authorities would have to consider the possibility of banning such mass marches in city centers because of the risk of trouble.

A spokesman for the riot police trade union said commanders had been slow to order their helmeted units, armed with clubs and tear gas, into action.

"What went wrong was perhaps a time lag during which the wreckers were left to get on with it," he said.

Paris police headquarters said about 70 of the youths arrested would be prosecuted, most of them for attacking police officers, destroying property or carrying illegal weapons.

Jean-Marie Le Pen, leader of the far-right National Front, charged that the wreckers rampaged unchecked, "comforted by the inertia of security forces who were paralyzed by the orders of the interior minister."

Clashes also broke out Thursday in the western city of Nantes between riot police and about 1,000 youths who smashed down the doors of the regional government building with battering ram.

The riots in Paris were the worst in the monthlong nationwide student protests against a law that would have allowed employers to pay entry-level graduates 80 percent of the minimum wage of 5,800 francs (\$1,000) a month.

Prime Minister Edouard Balladur — his credibility on the line after conceding to protests by Air France workers, fishermen and public school proponents — was forced to retreat one more time and scrap the law this week.

The violence was a reminder of deep-seated problems plaguing much of French youth, one-quarter of whom are unemployed — a rate four times as high as Germany's.

Urban youth in high-rise suburbs, tension with the police and fear of an uncertain economic future have created the conditions for periodic explosions. (AP, Reuters)

**French Leader to Visit China**  
Agence France-Press

PARIS — Prime Minister Edouard Balladur will make an official visit to China from April 7 to 10, aimed at consolidating the recent reconciliation of the two countries. Mr. Balladur's office announced. He will be the first French prime minister to visit China in 14 years.

gin in June. Service will gradually build up over the summer, he said. In September, the company expects to begin running a full schedule in which travelers can simply arrive at either end of the tunnel and leave within 15 minutes on one of the rail shuttles that will haul passengers and their cars under the English Channel, Mr. Morton said.

The \$15 billion project has been plagued by technical and financial problems since construction began in 1987. The latest delay was caused largely by late deliveries of rail cars and locomotives and the slower-than-expected pace of safety testing for a variety of equipment.

Eurotunnel is also preparing for the beginning of freight service over the next several months. It had been scheduled to start last month.

Mr. Morton did not specify the level of passenger service that will be available over

## WORLD BRIEFS

### Rebels Kidnap American in Colombia

BOGOTA (AP) — Leftist rebels kidnapped an American in central Colombia and hours later the police shot dead a motorcyclist during their search for the victim, authorities said Friday.

Rebels of the Revolutionary Armed Forces of Colombia abducted Raymond Rising on Thursday as he rode his motorcycle to the Summer Institute of Linguistics school in Loma Linda, southeast of Bogotá, the police said. Rebels earlier this year threatened to kidnap Americans and hold them for ransom as "prisoners of war." The rebels have a strong presence in Meta state, where the kidnapping occurred.

At one police roadblock set up in an attempt to find Mr. Rising, officers opened fire on two men riding a motorcycle, killing one and wounding the other, the radio reported.

### U.S. Warns Sudan on Aid for Terror

ADDIS ABABA, Ethiopia (AP) — The U.S. ambassador to the United Nations said Friday she had warned Sudan's Islamic government it would face increasing international isolation unless it ended its support for terrorism, improved its human rights record and ended its civil war.

Ambassador Madeleine K. Albright told a news conference here that she delivered the message a day earlier to President Omar Hassan Ahmad Bashir during a private, hour-long meeting in Khartoum.

A U.S. official traveling with Mrs. Albright described the ambassador's meeting with the Sudanese president as stormy, ending in a harsh exchange of words. Even as she met with the president, his aides distributed a statement to reporters complaining of Washington's "baseless, hostile policy" against Khartoum.

### Hostage Ordeal Ends at Japan Paper

TOKYO (Reuters) — Two rightist extremists surrendered to the police on Friday, almost six hours after invading the headquarters of a leading Tokyo newspaper, Asahi Shimbun, and threatening hostages with dynamite, a pistol and a ceremonial sword.

The rightists, who were protesting Asahi Shimbun's stance on Japan's World War II role, seized about 10 people in an executive reception room, but released all but two hostages in midafternoon. The remaining pair emerged unharmed later as their captors gave in to police persuasion and surrendered.

The extremists were members of a group calling itself Taihakai, or Party of Great Sadness. They threw leaflets out of the window reading: "The media are the real Class A war criminals." They said they particularly objected to coverage of war-related issues by the paper and its related publication, TV Asahi.

### Moldova Suspends Language Law

KISHINEV, Moldova (Reuters) — Moldova's new parliament on suspended on Friday a language law that has stirred tensions between ethnic Romanians and Russians and that led to violent conflict in 1992. The vote was 80 to 15.

A language law adopted in 1989 made Romanian the official language of Moldova, where ethnic Romanians make up 65 percent of the population. Formerly, Russian had been the official language, as it was in all parts of the Soviet Union. The law stipulated that all non-native Romanian speakers who had to work in positions of leadership with ethnic Romanians had to take a compulsory language test from 1994.

The law got a hostile reception from the 1.5-million Slav minority, which viewed it as an attempt to reduce them to second-class citizens.

**Corrections**  
Due to an editing error, an article in Wednesday's editions incorrectly described the television market into which Wharf Cable has invited BBC World Service Television. Wharf's network is restricted to Hong Kong and does not include China.

A book review in Tuesday's editions incorrectly stated the price of a book published by Bloomsbury in London. "The Rise, Corruption and Coming Fall of the House of Sand" is priced at £20.

## TRAVEL UPDATE

### China to Take Sting Out of Air Delays

BEIJING (Reuters) — China has adopted a new tactic in its losing war on airport delays, mandating that idled passengers be placated with food, drink, sightseeing and hotel rooms.

Free telephone and facsimile use would also be available during mechanical delays under new rules issued by Air China and disclosed on Friday by the official Xinhua press agency. If bad weather is to blame, however, telephone and fax privileges would apply only to first-class travelers and others deemed "important," the rules say.

Two-hour delays would merit free drinks and food. If delays extend to four hours, "passengers should be sent to hotels or sightseeing and other entertainment activities." Overnight delays merit board and lodging in a four-star hotel or better for first-class passengers. Economy-class travelers must accept two-star accommodation.

Amtrak will ban smoking on all its short- and medium-distance trains as of May 1. The smoke-free policy includes all daytime trains operating between Washington and Boston and all trains operating to and from Canada.

Employees at top-rated restaurants, bars and hotels in Florence, Venice and Trento, Italy, plan to strike Saturday and Sunday over an impasse in contract talks. Workers at the casino in Venice also called a strike for Saturday. In the Rome area, some cafés and tour agencies were closed Friday. Snack bars and self-service restaurants on the highways closed for 24 hours beginning early Friday.

Gas station owners across Portugal joined a grass-roots fight against a 1 percent fee on credit card purchases that went into effect Friday, refusing to accept bank cards from travelers who crowded the roads for the Easter holiday. (AP)

## Touvier and the Church: How Did He Get a Haven?

By Barry James

International Herald Tribune

PARIS — One question so far unanswered in the trial of Paul Touvier, the first Frenchman since World War II to stand trial for crimes against humanity, is how he managed to get uncritical support from many in the Roman Catholic Church for several decades.

Touvier, 78, relied on friends in the church to conceal him, help feed his family and defend him for decades after he went into hiding at the end of the war.

The prosecution still is presenting evidence against Touvier in the trial at Versailles, which concluded a second week of hearings on Friday and which has three weeks to run when it resumes after the Easter break. The evidence depicts Touvier as a lifelong anti-Semite who rose to a powerful position in the wartime "Milice" — the French counterpart of the Nazi Gestapo — where he was allegedly responsible for executing seven Jewish prisoners. Twice sentenced to death in his absence after the war, he turned to the church to save his skin.

Had Touvier been backed only by the

ultraconservative wing of the church, the case would have been more readily understandable, since many in the church welcomed France's wartime government as an ally against secularism and communism.

But his clerical supporters included many of solid democratic principles — including even some who had fought in the anti-Nazi Résistance — and senior churchmen up to the rank of Cardinal Jean Villot, who became the Vatican No. 2 under Pope Paul VI.

Coming from a strict, Catholic family of 11 children with many contacts among the clergy, Touvier apparently knew how to manipulate the priests and monks from whom he sought help.

After the war, when thousands were killed in a settling of accounts with the losers, many priests revived the ancient notion of the church as a place of sanctuary. They took in anyone who asked for help without asking questions.

When the heat had died down, Touvier sought refuge in the most obvious place, his family home at Chambéry in the south of France. Living behind closed shutters under his wife's name for a quarter of a century, he managed to acquire an ex-

traordinarily diverse and powerful group of supporters among the clergy.

He got one priest to perform his marriage ceremony clandestinely, without going through the required civil ceremony that would have revealed his identity. Another arranged payments for him from the church charity, Secours Catholique. He earned money by typing out beatification procedures for the church. He even registered his address at the archdiocese of Lyon.

With the expiry of the 20-year statute of limitations on the war crimes for which he had been sentenced to death, Touvier was no longer in risk of his life. His clerical friends were then able to mount a campaign to get President Georges Pompidou to remove a legal restriction preventing him from inheriting the family home.

An influential priest, the Reverend Charles Duquaire, threw himself behind Touvier's cause with an enthusiasm that remains a mystery. Father Duquaire, who was at first the private secretary to the archbishop of Lyon, and then Cardinal Villot's head of household in the Vatican, had connections throughout the church.

He organized the campaign for clemency, accumulating petitions from 18 members of the clergy, many of them in high authority.

Gabriel Marcel, the Catholic existentialist, also was persuaded to sign a petition. But he did what none of the eminent churchmen had thought to do: he investigated Touvier's background. As a result, accusing Touvier of being a killer and a liar, he withdrew his letter.

Mr. Marcel's action delayed but did not stop the campaign on Touvier's behalf, and President Georges Pompidou signed an act of clemency in November 1971.

This, however, only added to Touvier's problems by reminding the French that one of their most important wartime collaborators was still alive. Relatives of those whom Touvier allegedly had sent to their deaths accused him of committing crimes against humanity, for which no statute of limitations exists.

But it took more than 20 years to bring Touvier to trial because he went back into hiding in 1972. He eventually was found in 1983, hiding at a priory in Nice belonging to a dissident conservative bishop, Marcel Lefebvre.

## After 50 Years, an Archive of 'Ghosts' for Germans

By Stephen Kinzer

New York Times Service

BERLIN — When the U.S. Army completes its pullout from Germany this year, it will turn over to the German authorities an archive of 25 million Nazi Party documents that Germany has for years been reluctant to accept.

The archive, officially known as the Berlin Document Center, is an invaluable source of information for scholars and Nazi hunters. It also includes chilling evidence of how Nazi leaders sought to develop scientific principles to help them breed a "master race."

"There are a lot of ghosts walking around here," said David Marwell, the historian who has directed the archive since 1988. "I'm always struck by the reaction of groups of Germans who come to visit here. They've heard the hackneyed clichés about Nazism, but it's different when they actually see the files."

Before turning the archive over to German control on July 1, Mr. Marwell hopes to complete microfilming every item. Clerks are microfilming more than 40,000 pages a day, making two copies of every document, one for use here and another for a U.S. archive. In other offices, archivists are cross-index-

ing files to ease access for researchers. Special computer programs will allow them to find files of Nazis even if they have an incorrect spelling.

"The Berlin Document Center is regarded as a very important resource," said Efraim Zuroff, Jerusalem director of the Simon Wiesenthal Center. "We get allegations all the time from people who suspect that a particular individual may have had a Nazi past. The first place we go to check is Berlin. It's a requisite starting point."

American soldiers control access to the sprawling center, which is housed in a former Gestapo complex in western Berlin. Americans run the center under an informal post-war agreement with the other Western occupying powers, Britain and France, largely because it is in what was once the American sector of occupied Berlin.

The largest collection in the archive consists of the entire Nazi Party membership files, more than 11 million cards. In the final days of World War II, Nazi bureaucrats bound these cards into tight bundles and shipped them from party headquarters in Munich to a paper mill where they were to be destroyed. American soldiers, guided to the trove by farmers, found the files shortly

after they were to be converted into pulp. Also in the archive are records of Nazi agencies that controlled culture and education.

"For me, the culture archive is one of the real jewels here," Mr. Marwell said. "It gives a real sense of how systematically the Nazis tried to control what people were allowed to read, see and hear."

Perhaps the most chilling collection in the document center is that of the SS, a political and military vanguard of Nazism. All SS members who sought to marry were required to submit their families' genealogical backgrounds, and those of their prospective wives, dating to 1800, or 1750 if they were officers.

Ethnic Germans born outside of Germany who sought to join the SS, along with those who applied for German citizenship, were required to appear before trained specialists whose job was to provide detailed analysis of the applicant's facial structure. The forms, 240,000 of which are in the document center archive, include 21 categories and an intricate grading scale to assure that applicants did not have excessively large noses or ears, irregularly spaced eyes, swarthy complexions, or other physical features deemed undesirable.

The vaults in which the archive is housed contain mazes of narrow corridors nearly 13 kilometers (8 miles) long. Most of the 50 permanent employees, nearly all of whom are German, are computer specialists whose goal is to complete a complex series of cross-referencing projects before July.

On walls above their desks, some employees have posted photocopies of mugs of the men encountered in the files, among them Adolf Eichmann's party membership card and Josef Mengele's certificate of membership in the Medical Chamber.

In the years after the document center was opened in 1946, some hoped that it would become the instrument by which former Nazis could be identified so they could be kept out of influential positions. But that was not to be.

"De-Nazification was something that never really materialized," Mr. Marwell said. "It was an idea that was overtaken by events in a lot of ways. The outbreak of the Cold War changed everything. The Western powers became more interested in assuring that Germany was a bulwark of anti-communism, and the goal of keeping every Nazi out of every important job sort of fell by the wayside."

## Russia's Latest Signal on NATO Program Is 'Go'

Reuters

MOSCOW — Foreign Minister Andrei V. Kozirev acted Friday to reassure NATO on Russian participation in its Partnership for Peace program, saying that Moscow would sign up for it later this month.

An aide to President Boris N. Yeltsin surprised the Western mili-

tary alliance on Thursday by saying that Russia might take six or seven more months to make a final decision on joining the East-West military cooperation plan.

But Mr. Kozirev said the remark, made by the chief presidential spokesman, Vyacheslav Kostikov, may have been misinterpreted "or maybe not accurately formulated."

"The agreement with NATO will be signed in the second half of April as was provided by our timetable and then afterwards there will be the process of filling in" the details, he said.

"Maybe Kostikov was speaking of this process which may take a half year or even more," said Mr. Kozirev, who was speaking at Moscow's international airport before welcoming the UN secretary-

general, Boutros Boutros Ghali, to Moscow.

Mr. Kostikov's comments, suggesting a change in position by Mr. Yeltsin under pressure from nationalist critics in parliament and the armed forces, alarmed the North Atlantic Treaty Organization. NATO considers the participation of its former Cold War enemy as the program's biggest prize.

A spokesman at NATO headquarters in Brussels said Thursday that the alliance was ready to explain the rationale and mechanism of the program to clear up "considerable misunderstanding."

Thirteen countries of the former Soviet bloc have signed the Partnership for Peace program. The program calls for joint exercises and military cooperation between the Atlantic alliance and the former Soviet bloc.

Russian critics say the NATO

program could inhibit future Russian trouble-shooting activities in hot spots of the former Soviet Union.

Russian military officials have privately expressed irritation to Western diplomats about NATO's handling of the Partnership program, suggesting that Moscow should have been granted some kind of special status.

In another development, Prime Minister Viktor S. Chernomyrdin said Friday that Russia may apply this year for membership of the European Union.

"We hope in this year this question will be solved, in Russia's case in the political sense and then also in the area of economic relations," he said.

## Full Channel Service Set for September

By Richard W. Stevenson

New York Times Service

LONDON — The operator of the Channel Tunnel said Friday that full passenger service would not begin until September, four months after the formal opening May 6 of the undersea rail link between Britain and France and 15 months later than originally scheduled.

Officials warned earlier this year that there would be an unspecified delay in the beginning of passenger service immediately after Queen Elizabeth and President François Mitterrand inaugurate the tunnel next month. The opening ceremony will go ahead as planned.

In an interview Friday with the British Broadcasting Corp., Alastair Morton, the chairman of the operating company, Eurotunnel, said limited passenger runs through the 31-mile (50-kilometer) tunnel would be-

gin in June. Service will gradually build up over the summer, he said.

In September, the company expects to begin running a full schedule in which travelers can simply arrive at either end of the tunnel and leave within 15 minutes on one of the rail shuttles that will haul passengers and their cars under the English Channel, Mr. Morton said.

The \$15 billion project has been plagued by technical and financial problems since construction began in 1987. The latest delay was caused largely by late deliveries of rail cars and locomotives and the slower-than-expected pace of safety testing for a variety of equipment.

Eurotunnel is also preparing for the beginning of freight service over the next several months. It had been scheduled to start last month.

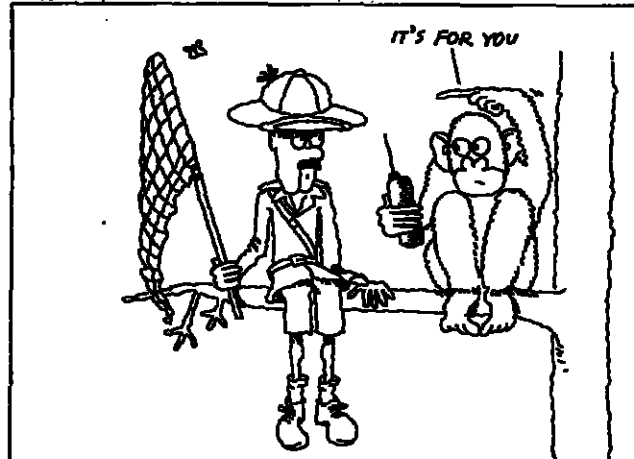
Mr. Morton did not specify the level of passenger service that will be available over

the summer, other than to compare the build-up to a car accelerating through first, second, third and fourth gears. But he suggested that in its early stages there would be little availability and that most cross-channel travelers this summer would have to continue to use ferries.

The delay will certainly do nothing to help the tunnel's image, especially in Britain, where many people seem to view it less as a triumph of engineering and a historic link to the Continent than as a white elephant.

"While other countries relish grand projects, the British suspect them," said an editorial Friday in The Independent, a London newspaper. "If the tunnel had opened on schedule and at the forecast price, the national psyche would have been boosted almost as much as by ceasing to be an island. So a vote of thanks is due to Eurotunnel: We do not have to rethink ourselves just yet."

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# THE AMERICAS / CHURCH, STATE AND PRAYER

## POLITICAL NOTES

### Arkansas Senators at the Plate

WASHINGTON — The two Democratic senators from Arkansas complained to senior Clinton administration officials last year about the government's handling of legal claims against Seth Ward, a former Madison Guaranty Savings & Loan employee and the father-in-law of former Associate Attorney General Webster L. Hubbell.

Senator Dale Bumpers, who once called Mr. Ward a "good supporter," sent a letter dated May 26, 1993, about Mr. Ward's treatment by the Resolution Trust Corp. to the White House counsel, Bernard W. Nussbaum, and Deputy Treasury Secretary Roger C. Altman, a political appointee serving as interim chief of Resolution Trust.

Mr. Bumpers also sent copies of the letter to three Arkansas working in the White House: the chief of staff, Thomas F. (Mac) McLarty Jr., and William Kennedy 3d and the late Vincent W. Foster Jr. of the counsel's office.

Senator David H. Pryor lodged his own complaint in July with Mr. Altman and a senior Treasury aide, Joshua Steiner, about the "appalling" waste of money and "abuse of power" by government attorneys in their attempt to recover Madison business executive, like Mr. Bumpers, Mr. Pryor asked Mr. Altman to review the agency's settlement with Mr. Ward, which required him to return \$340,000 in Madison funds to the agency.

The letters from Mr. Bumpers and Mr. Pryor are the first indications that members of Congress contacted political appointees in behalf of a prominent constituent who has come under federal scrutiny in the Madison affair. (WFP)

### 6 States Defy Abortion Order

WASHINGTON — At least a half-dozen states say they that they are flouting a new federal order to pay for abortions for low-income women in cases of rape or incest. The Clinton administration said there would be no immediate penalty for violating the law, which went into effect this week.

Ray Hanley, the chairman of the State Medicaid Directors' Association, said that Arkansas, South

Dakota, Louisiana, Kentucky, Utah, Oklahoma and an unknown number of other states were not covering abortions for rape or incest. Mr. Hanley is also the Medicaid director of Arkansas. (NYT)

### Cover Photo Irks White House

WASHINGTON — The White House is plenty steamed about this week's Time magazine cover photo of a grim-faced President Bill Clinton and a senior adviser, George Stephanopoulos, saying it was a five-month-old White House picture that the magazine had agreed to return in January.

"I was irate," said Bob McNelly, director of the White House photo office. So irate, in fact, that the White House has cut off the magazine's access to such official photos.

The cover says "Deep Water: How the President's Men Tried to Hinder the Whitewater Investigation." But the caption inside fails to note that the picture is of a routine scheduling meeting on Nov. 9, weeks before Whitewater had become a major issue.

"To put the photo on the cover, out of context, and not note in the caption when it was taken, is outrageous," said the White House press secretary, Dee Dee Myers. She complained in a letter to Time's managing editor, Jim Gaines, that the magazine "did not have our permission" to use a picture that "will likely mislead your readers."

A Time spokesman, Robert Foudisio, said there was no intent to deceive. "In retrospect it might have been a good idea to date that photo," he said. "That's a fair criticism." But he added, "I don't think the readers of Time expect the cover photo is going to be a representation of that event." (WFP)

### Quote/Unquote

Kevin Parriott, executive director of the San Diego County Republican Party in California, where President Clinton was vacationing this past week and where voters in the moneyed city of San Diego preferred George Bush or Ross Perot to a nearly 3-to-1 margin: "Bill Clinton coming to San Diego is like Ronald Reagan going to Detroit or Madison, Wisconsin." (AP)

## Republicans Kept Secret A List of Big Donors

By Richard L. Berke  
New York Times Service

WASHINGTON — A nonprofit offshoot of the Republican Party that was formed last year to seek the ideas of ordinary Americans is being financed by big corporations and millionaires whose donations are not subject to federal restrictions that apply to most political groups.

Since its creation last June, the organization, the National Policy Forum, has been criticized by groups that monitor campaign finances because it has refused to disclose the identities of its donors.

But the forum's own documents, and those of the Republican National Committee, show that in hunting for money they decided against mass mailings and instead sought and received "hard commitments" from giant corporations like Philip Morris Companies Inc., Coca-Cola Co., United Parcel Service, Edison Electric, the Prudential Insurance Company of America, AT&T and American Standard.

Several associations were also listed in the documents as having made such commitments, including the National Rifle Association, National Association of Homebuilders, National American Wholesale Grocers' Association and National Cattlemen's Association.

While forum officials refused to discuss these donors, officials at some of the companies that had been solicited confirmed that they had contributed.

Although the Republican Party chairman, Haley Barbour, billed the forum as "a very participatory program" when he announced its formation, the documents, supplied by a former party employee, show that small donations were not solicited by mail.

Forum officials have said the budget for their first year was roughly \$4 million. A budget document shows the fund-raising plan as follows: \$100,000 each from 15 individual or corporate "founders"; \$10,000 each from 100 major donors; \$50,000 each from 20 corporate sponsors, and \$15,000 each from 20 association sponsors.

Republican Party officials say the money collected by the organization is being used to attract new people into the party by holding meetings around the nation.

William E. Brock, a former party chairman who heads the policy forum's coordinating committee, said officials feared that naming the donors would arouse undue suspicion.

Many people who were solicited for the policy forum had already given large sums of money to the Republican Party, donations that are not subject to federal limits.

But because such political "soft money" must be publicly reported, some critics of the forum have contended that it was set up as a non-profit group so it could collect donations that would not have to be made public.

Mr. Barbour and Michael E. Baroody, the forum's president, played an important role in soliciting the wealthiest donors, according to the documents.

Fred Wertheimer, president of Common Cause, said such mingling of policy and politics was improper.

## Lawmakers Lead a School-Prayer Drive

By William Booth  
Washington Post Service

WASHINGTON — Saying America's youth need to be guided by a higher purpose, hundreds of legislators around the nation, from black urban liberals in Washington to white rural conservatives in Mississippi, are seeking to return prayer to public schools.

The movement has generated school prayer legislation in the District of Columbia and at least six Southern states, including Virginia, Georgia and Florida. Virginia has passed a bill encouraging voluntary prayer and the others are on the verge of either mandating daily moments of "quiet reflection" or allowing students to lead prayers at pep rallies, sports events and graduation ceremonies as well as before and after class.

"It has nothing to do with being a liberal or conservative, a Democrat or Republican, black or white," said a Tennessee state senator, Don Wright, a Republican who championed his state's prayer legislation last year. "The people want the right to prayer. They want that right back again."

In almost all cases, state chapters of the American Civil Liberties Union and affiliated groups threaten to challenge the constitutionality of the new laws, citing decades of Supreme Court precedent.

But the lawmakers, asserting that U.S. public

education has lost its moral bearings, insist that in a country where metal detectors are ubiquitous in schools, students deserve the right to hear the word "God" again.

Indeed, the resurgence of school prayer seems to be one of a handful of "values issues" being given renewed life by Republicans and Democrats alike, including President Bill Clinton.

The pending legislation not only challenges the separation of church and state but is being pushed by big-city liberal politicians as well as by traditional members of the religious right.

The liberals include a Georgia state senator, David Scott, a Democrat from Atlanta whose other big issue this year is stricter gun control. "There is now this extraordinary need to provide our young people with a way to look into themselves for strength and meaning," said Mr. Scott, whose legislation calls for a mandatory minute of "quiet reflection" at the beginning of the school day. Critics say the prayer bills are inspired more by election-year grandstanding than real concern for America's troubled schools.

"There will be lawsuits," said James Tucker, special project counsel for the ACLU of Alabama, where a school prayer bill was passed unanimously last year. "We're just looking for the best case."

Tennessee also overwhelmingly passed legislation last year to let students initiate and lead

prayers at school events. Mississippi, Georgia and Florida are on the verge of securing similar measures, while Virginia already has done so.

In the District of Columbia, a majority of D.C. council members have said they support legislation that would allow students to pray in the classroom.

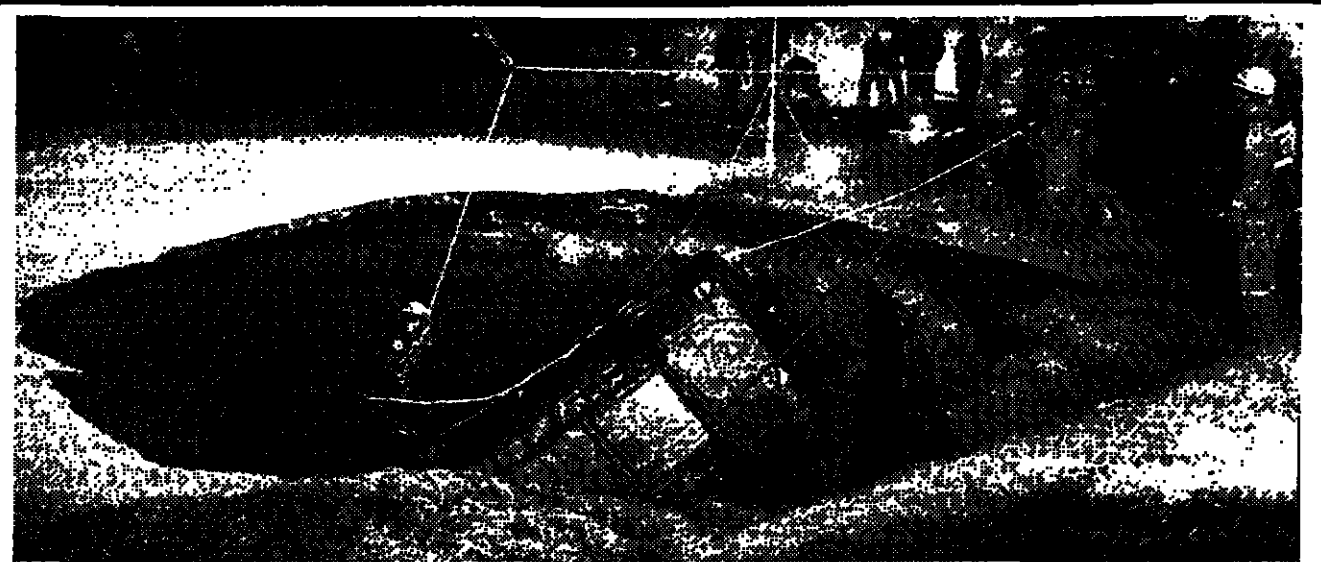
"With all this violence and other problems," said council member Marion S. Barry, "we need to get back to trying to allow those who want to pray to do it. It may set a moral tone at the schools."

Proponents of allowing prayer in schools say that they are acting less from political expediency than from deep concern that society is out of whack.

"We're bringing back to our children the recognition that there is a place for spiritual and moral enlightenment," said a Florida state representative, Beryl Buika, a Democrat who represents a mostly black Miami neighborhood.

The school prayer movement has been renewed by a recent federal appeals court decision and protests by principals and students across the region.

There are about 12,000 Bible clubs now meeting in public schools. Last year, about 1.5 million students participated at prayer rallies at public schools, according to Christian legal action groups.



HIGHWAY HOLE — A rescuer descending into a sinkhole on a Maryland road near New Windsor to reach Robert Wayne Knight, a motorist who was trapped in his car when he drove into the hole. He was hospitalized in Baltimore and treated for shock.

### Away From Politics

• The United States switches to daylight savings time Sunday when clocks are turned ahead one hour at 2 A.M. in each time zone. There will be no time change in Arizona, Hawaii and parts of Indiana, which remain on standard time all year.

• A defendant charged in the conspiracy to blow up New York City landmarks pleaded

guilty to the charges against. The defendant, Earl Gant, a Philadelphia street vendor, was accused of agreeing to help get explosives in the foiled plot to blow up the United Nations buildings, two highway tunnels and other public buildings last year.

• The United States will soon begin accepting applications for an annual lottery of 55,000 of its coveted green card work permits. Applications can be made throughout June. The results will be given later in the year. The

annual lottery will distribute nearly 25,000 green cards to immigrants from Europe and the former Soviet Union, 20,000 to Africans, 6,837 to Asians and 817 for immigrants from Australia and the South Sea islands.

• Three months after Anne Scripps Douglas, an heiress to a newspaper fortune, was bludgeoned to death, a decomposed body found on the Bronx bank of the Hudson River was identified as that of her husband and accused murderer, Scott Douglas. NYT, Reuters, AFP

## Addiction Finding Was Stifled Tobacco Company Forced Researcher to Drop Report

By Philip J. Hilts  
New York Times Service

WASHINGTON — In 1983, five years before the surgeon general declared that nicotine was an addictive substance, researchers for a tobacco company drew the same conclusion. Their paper was accepted for publication in a scientific journal, but the company forced the author to withdraw it, the journal's editor says.

The study, which tested addiction in rats, was done by Dr. Victor J. DeNoble, who was working at the Philip Morris Companies, and his colleagues, and was to be published in the journal Psychopharmacology. Experts on nicotine and addiction said the paper would have been the first and best of its kind at the time, an important addition to the research on the addictive properties of nicotine.

Dr. Jack E. Henningfield, chief of clinical pharmacology research at the National Institute on Drug Abuse, a federal agency, said the withdrawal of the paper from publication "set the field back six years at least before work like it could be accomplished by Canadian researchers."

The research paper was made public Thursday at a hearing of the

House subcommittee on health and the environment by its chairman, Representative Henry A. Waxman, Democrat of California. It resulted from research at the Philip Morris Research Center in Richmond, Virginia. Not long after Mr. DeNoble wrote the paper, and the company forced him to withdraw it, he left the company and, Mr. Waxman said, the research group that produced it was closed.

Philip Morris executives issued a written statement saying that Mr. DeNoble's research in general had not been censored, and some studies of nicotine by him were published, but they would not comment on the specific paper released by Mr. Waxman. Efforts to reach Mr. DeNoble were unsuccessful.

"Mr. Waxman said that because Philip Morris owned the laboratory and the researchers were its employees, all the research was owned by the company. He said there was probably no legal requirement that the company publish the study, but there was a moral requirement to do so."

The editor of the journal at the time, Dr. Herbert Barry of the University of Pittsburgh, said it was highly unusual for a paper to be accepted and then withdrawn. He said he had not been forward be-

fore now because he considered it a confidential matter, but he agreed to confirm the facts once approached by the Food and Drug Administration and Mr. Waxman. Tobacco companies maintain that nicotine is not addictive, although leading groups, including the surgeon general's office, the American Psychiatric Association and the American Psychological Association, have said that it meets all the scientific tests for an addictive substance. Other substances that meet the tests include heroin, cocaine and alcohol.

"There is frankly no scientific basis for saying nicotine is not addictive," Mr. Henningfield said. "In fact, in three studies of people addicted to other drugs, such as heroin, the addicts were equally motivated to get nicotine as to get heroin. Their ability to quit, the strength of the habit and their own rating of their need for nicotine were as strong as for their addicting drug."

Nicotine's addictiveness, and charges that cigarette companies manipulate the amount of nicotine in cigarettes to create and maintain addiction, are the bases for recent statements by the Food and Drug Administration that it is considering classifying cigarettes as a drug.

## Safer Banking? See Chicago Police

By Don Terry  
New York Times Service

CHICAGO — Inside the 7th District police station, just down the hall from the handcuffed gang member and the battered wife with nowhere else to hide, Shawna Jackson came to do her banking.

A few months ago, in an experiment to bring financial services to the poor and to cut down on the muggings that make the South Side police district one of Chicago's toughest, the city and a bank installed an automatic teller machine in the lobby of the police station.

But as it spits out \$10 and \$20 bills over the crackle of police radios, the money machine is much more than a routine convenience. It is a symbol of hope in a struggling neighborhood and a sign of how desperate and dangerous modern times have become.

Muggers are robbing people at money machines with increasing frequency, prompting banks and some cities to take unusual protective measures.

In Oakland, California, five Wells Fargo Bank branches have red emergency buttons that link users of the machines to the police. And in Los Angeles, the

City Council has approved the installation of 30 automatic tellers in police station lobbies.

But even in the station, surrounded by armed officers, Ms. Jackson clutched her purse as she scanned the lobby for potential attackers.

"No matter where you are nowadays," she said, "you got to be on your guard every minute."

These days, even if some people are brave enough or foolish enough to use an automatic teller in the 7th District, they might have a hard time finding one. Only a few are left in the neighborhood. But then, few residents have needed one. Nearly half the people live below the federal poverty level, and the unemployment rate is 33 percent.

So far the Marquette National Bank automatic teller has handled about 450 transactions a month, well below the bank's target of 1,000. Part of the problem is that not many people know the station has a money machine. District Commander Ronnie Watson hopes to replace the banner with a sign that lights up at dusk.

"This is what community policing is all about," he said.

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## Gunmen in Washington Open Fire on Market

By Linda Wheeler  
and Wendy Melillo  
Washington Post Service

WASHINGTON — One person was killed and at least eight were wounded in a burst of gunfire in the historic O Street Market in Washington, the police said.

Shoppers ran from the building while others, along with vendors, crouched on the floor in fear when the shooting started on Thursday night, according to witnesses. Several of the vendors, who lease stalls that face onto a central covered walkway, said three of their customers were among those shot in the incident, which happened shortly before 7 P.M.

The police said two men wearing ski masks got out of a car outside the market at the O Street entrance, walked up to the door and started firing. Dozens of shell casings littered the walkway just outside as well as inside the doorway.

"There were gunshots and people all over the place, running, screaming and asking for help," said Bishop Clarence Long, of Scripture Cathedral.

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## Both Sides Denounce Force for Hebron

By Clyde Haberman  
New York Times Service

**JERUSALEM** — A planned force of lightly armed foreign observers to patrol Hebron was criticized Friday by many Israelis as going too far and by Palestinians as not going far enough.

Palestinians across the political spectrum dismissed the agreement on a temporary force of 160 Norwegian, Danish and Italian as a palliative that will not provide real protection for residents of the West Bank town.

What is required following the Feb. 25 massacre by an Israeli settler, they said, is the evacuation of the 450 Jewish settlers living there among more than 80,000 Palestinians. As for the observers, many Palestinians waved off their presence as pointless, especially after learning from officials here that only 60 will actually go on patrol while the 100 others will be administrators and office workers.

"They don't have any weapons except writing reports," Sheikh Mohammed Kafrawi told Muslim worshippers at midday prayers on Friday at the Al Aqsa Mosque in Jerusalem. Referring to interna-

tional forces sent to Bosnia, he said: "Did they prevent crimes against Muslims? No, they didn't." Similarly unhappy were many Israelis, especially on the political right. They denounced the agreement reached Thursday by Israel and the Palestine Liberation Organization as a capitulation on a matter that had been almost an article of faith here since the West Bank and Gaza Strip were captured in the 1967 Middle East war.

Until now, Israel had never permitted an armed international presence in the territories. The accord, rightist leaders warned, sets a precedent that will undermine Israeli sovereignty and pave the way for more foreign forces elsewhere in the West Bank and Gaza, and ultimately Jerusalem.

Some Israeli critics also cautioned that unpredictable events — the shooting or kidnapping of an observer, for example — could create bad feelings that damage Israel's relations with the countries forming the force.

"You start processes that can spin out of control, especially on the ground," said Dore Gold, a defense specialist with Tel Aviv

University's Jaffee Center for Strategic Studies.

### Muslim-Christian Tension

Israeli troops barred Muslims from Jerusalem's Via Dolorosa on Good Friday amid much tension, but Christians reentering the traditional last steps of Jesus said their joy at being in the Holy Land overrode fear, Reuters reported.

Israeli security forces were out in force in the Old City to prevent clashes between Christians, Muslims and Jews following five weeks of Arab-Israeli violence triggered by the Hebron massacre of Muslim worshippers.

Soldiers used clubs to beat back Muslims going to noon prayers at Al Aqsa Mosque while Jews gathered at the Walling Wall below for the end of their Passover holiday.

"We cannot wait any longer, we will miss our midday prayers, let us pass," shouted an old Arab man, echoing cries from a group of Muslims who use the Via Dolorosa route to reach the mosque.

"During Ramadan these streets were jammed with Muslims, we couldn't walk, why can't they toler-

ate us on this one day in the year," said a Christian woman as soldiers forcibly separated Muslims from Christians. She was referring to the Muslim holy month.

Christian pilgrims carried wooden crosses and sang hymns while walking in the rain to the traditional site of Jesus' tomb in the Church of the Holy Sepulchre. Some wore black armbands to mourn victims of the Hebron massacre. The Assembly of the Catholic Ordinaries of the Holy Land called Friday for the removal of Jewish settlers from the territories to achieve a lasting peace.

In an Easter message, it said: "The settlers have condemned themselves. They have shown that they cannot co-exist with others. Therefore, they must go elsewhere."

Violence over the Hebron killings did not dissuade many tourists from around the world from visiting holy sites.

Catholics and Protestants from Egypt joined in the Good Friday procession for the first time since the 1978 Camp David peace treaty between Egypt and Israel was signed.

## Troops Go Into Natal To Enforce A Decree

By David B. Ottaway  
Washington Post Service

**SARAJEVO, Bosnia-Herzegovina** — Bosnian Serbs have gone on a rampage in the northern Bosnia town of Prijedor over a three-day period, killing 17 Muslims and 2 Croats in revenge for the death of six Serbian police officers in fighting elsewhere, according to United Nations officials here.

Some elderly people were burned alive in their homes and others were killed by hand grenades thrown at them as Serbs took out their rage on Muslims and Croats, said Kris Janowski, a spokesman for the UN High Commissioner for Refugees in Sarajevo.

The killings may have finally convinced international relief agencies working in Bosnia-Herzegovina that 10,000 non-Serbs living in and around Prijedor may all have to be evacuated in what would be the largest single such operation of the war.

"These people obviously have to be taken out," said Mr. Janowski.

He said a protection officer of the UN refugee agency had visited Prijedor on Friday under Serbian police escort and found that 20 homes of Muslims and Croats had been burned down and that people had fled from some neighborhoods to avoid the rampaging Serbs.

"The situation is very tense and extremely alarming," Mr. Janowski said. "We certainly don't rule out more violence in the coming days."

The bodies of the six Serbian police officers, killed in fighting against the Muslim-led Bosnian Army in central Bosnia, were returned to Prijedor early this week. UN officials believe it was the sight of the

## Serbs Slay 19 in Bosnia Town Revenge Killings May Spur Mass Evacuation

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bodies that set off the attacks on the non-Serbian population.

However, the latest wave of killings came amid what was already an apparently organized Serbian campaign of terror in Prijedor and in nearby Banja Luka to drive the last Muslims and Croats out of the area. This practice, which dates from the start of the Bosnian conflict two years ago this month, has come to be known as "ethnic cleansing."

The killings have brought international relief agencies to the point where they are reluctantly coming to the conclusion that a mass evacuation of the non-Serbian population around Prijedor may be warranted, even if they are accused by the Bosnian government and human rights groups of abetting the Serbs in the ethnic-cleansing campaign in northern Bosnia.

There are about 6,000 Muslims and 3,000 Croats still living in and around Prijedor, as well as several hundred Gypsies. Three villages housing 1,000 people outside Prijedor, and the entire Muslim community there, had already asked the UN refugee agency for evacuation.

"We are close to it, but that would be the last resort," said Robert Monty, head of the Geneva-based International Red Cross mission in Sarajevo.

Mr. Janowski said the Croats also had appealed to Pope Paul II to be evacuated. The U.S. ambassador to the Vatican, Raymond Flynn, visited Sarajevo on Friday and was told by President Alija Izetbegovic of the deteriorating situation for Muslims in northern Bosnia, Sarajevo radio reported.

The Red Cross had been urging pressing leaders of the Bosnian Serbs to assure protection of the minorities in their areas and had been given assurances that this would be done, Mr. Monty said.

## JAPAN: Tokyo Counters U.S. Report With a Trade Broadside of Its Own

Continued from Page 1  
worried that the report would lead to its use," he said.

In fact, the annual report to Congress starts a 180-day countdown for Tokyo to remove barriers or face punitive tariffs on exports to the United States in line with the Super 301 trade provision.

Washington's ninth annual National Trade Estimate, noting that Tokyo's trade with the United States had grown by \$10 billion to \$60.4 billion in 1993, said: "The barrier in Japan to imports of manufactured goods and services far exceed the barriers of other Group of Seven nations and place an unacceptable burden on the global trading system."

Japanese officials said the American report was politically motivated and appeared to have

been written prior to Japan's latest proposals concerning government procurement of telecommunications and medical equipment.

"Any approach using the 'Japan is unique' theory is fundamentally unfounded and is a major problem in terms of the important relations of trust between Japan and the United States," said Kishichiro Arita, deputy spokesman for the Foreign Ministry.

"They're basing their behavior on obsolete information at best," said Noboru Hatakeyama, an adviser to the Long-Term Credit Bank of Japan who was the Trade Ministry's top negotiator until last year. "If the U.S. keeps doing this, Japan will become fed up and not move, and the deterioration of relations might spill over into nontrade areas."

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### Korean Carmakers Lash Out at U.S.

South Korean carmakers criticized Friday as "uncomprehending" a U.S. report that accused South Korea of setting up barriers against purchases of foreign autos. The Associated Press reported from Seoul.

South Korea was one of 35 countries listed in the 281-page report released by the U.S. government this week.

The report said that the 10 percent import duty imposed on foreign cars by Seoul was restrictive compared with the 2.5 percent duty in the United States. Seoul said it should not be singled out because the 10 percent import duty was on a par with that levied by European countries.

Mr. Sina said. "By acting ahead of the game before inflation takes hold, it is taking a new approach with a risk of errors, miscalculations and a lack of understanding of its policies."

Mr. Wynn said: "To avoid the classic boom-and-bust scenario, the Fed has to continue to make its small steps in tightening and not make a mistake. As long as they don't panic, I think it will work."

He said he expected the Fed, in effect, to follow the market and decide to raise rates again only after it was sure that the latest employment data were not a fluke. For that it will have to wait at least for next week's first reports of Easter retail sales and reports from purchasing managers of large industrial companies about the state of the economy.

## JOBS: Good News for Worker Translates to Fears for Financial Markets

Continued from Page 1

rates would decline and price would rise — were caught short and dumped the bonds on the market. This further depressed prices and increased interest rates, or yields.

Second, small investors who had bought bonds because they yielded far more than their bank certificates of deposit got out of the market or sat on the sidelines with their cash, waiting for interest rates to get even better.

But that meant less money was going into the market to support stock prices, which even brokers admitted were getting too high for the dividends the stocks were paying. A strong economy, like the one evidenced by Friday's figures, will mean even higher interest rates as the bond market anticipates the Fed's next move — which means stocks become still less

attractive, resulting in still less money for the stock market.

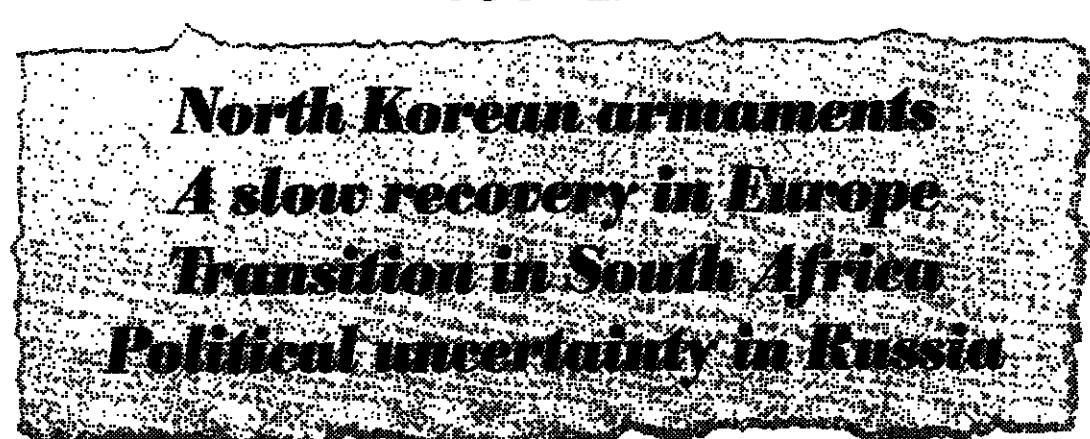
So the question for the financial markets now is not whether but when the Fed will move next to raise its federal funds rate, the rate on overnight loans of reserves among American banks.

The rate now stands at 3.50 percent and is expected to go to at least 4 percent by year-end. Michael Strauss, chief economist at Yamachi International, said, "If they were smart they'd go up 50 points today," then added, "If they were really smart, they would have started tightening in November."

But others say it's not as simple as that, as the Fed is treading a fine line in trying to stop inflation before it speeds up, but without tipping the economy back into a recession.

"The Fed is looking at the right balance between demand in the economy and the sup-

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## ITALY: Rightist Praises Mussolini

Continued from Page 1

Finis seemed to abandon the cautious approach to Mussolini that characterized his election campaign.

While he again stressed that "we have consigned to history a judgment of Fascism and anti-Fascism," he was also asked to evaluate Mussolini, who ruled Italy from 1923 to 1943.

"I would still say that he is the greatest statesman of the century," Mr. Fini said, adding that Mr. Berlusconi "will have to pedal if he wants to show that he belongs to history like Mussolini."

"Two identical men are not born in a year, not even in a century," said Mr. Fini, who is 42.

Mussolini turned Italy into a dictatorship, embarked on disastrous colonial adventures in Africa and allied himself with Hitler. But, following the collapse of Fascism and the end of the World War II, a group of his followers banded together in Italy, where Fascism is illegal, to found the Italian Social Movement, to keep Mussolini's memory and ideology alive.

Mr. Fini and his supporters changed the name of the Italian Social Movement to the National Alliance earlier this year. One of its successful candidates in the election was Mussolini's granddaughter, Alessandra Mussolini, who won a parliamentary seat in Naples on the neofascist ticket.

"The fact that he chose to say this today shows he still regards Mussolini as a model for the future," said Claudio Petruccioli, a spokesman for the Democratic Party of the Left, the former Communist, which lost this week's election. "We all know what the state of freedom was in this country when the 'greatest statesman of the century' was in power."

Mr. Berlusconi made no immediate comment on his ally's remark. The magnate sought to distance himself from the neofascists earlier this week when, on Monday night, he cast his vote in Rome's old Jewish ghetto. However, the gesture met only with skepticism and protest.

The presence of neofascists in the new Italian lineup has caused worries both in Italy and elsewhere. "For a half-century, the West has been governed by principles that arose from the end of World War II," a column by Bernardo Valli said in Friday's La Repubblica. "Our country will be the first since then to have a government including neofascists or post-fascists in this privileged part of the world."

Italian newspapers reported Foreign Minister Klaus Kinkel of Germany as saying Friday that Bonn found the rise of Italy's right "mildly alarming," reflecting concern that German extreme rightists led by a former Nazi SS officer, Franz Schönhuber, would draw encouragement from developments in Italy. Greece's minister for European affairs, Theodoros Pangalos, was quoted as saying it was "worrying."

In the La Stampa interview, however, Mr. Fini denied that his party had links with European rightists. "Nothing links the Italian right to those in Germany or France," he said.

Emergency regulations published Friday gave security forces the power to detain people without charge for up to 30 days, use "necessary force" to maintain order, and search people and premises without a warrant.

The rules bar unauthorized military training, prohibit the display of weapons, including traditional Zulu spears and fighting sticks, and set strict conditions for marches and rallies.

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## CHINA: Dissident Held

Continued from Page 1

the period in which his political rights remain suspended after the completion of his prison sentence.

Mr. Wei, who has received such warnings in the past, has said he would defy "unreasonable" restrictions on his freedom and contacts with foreigners.

### Warning on Trade Status

A World Bank study warned Friday that any U.S. move to strip China of its most-favored-nation trading status could have "disastrous" consequences for both nations, Reuters reported from Washington.

The report said that Chinese exports to the United States could be cut by 42 percent to 96 percent if Mr. Clinton decided not to renew the preferential status.

U.S. consumers could pay \$14 billion a year more for costlier substitutes for Chinese products or to cover the higher tariffs that would be imposed on Chinese goods.

"In actuality, the impact of MFN loss is likely to be closer to the lower boundary, but even that is a substantial dislocation of trade," said Rajiv Lal, senior economist at the bank's China department and the report's main author.

The document warned that the impact of any loss in the trading status could range "from the dramatic to the disastrous," such as halving or eliminating Chinese clothing exports to the United States. It also called on China to liberalize trade policies by cutting tariffs or removing export controls.

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# North Korea Defies UN on Its Call for Nuclear Inspections

Compiled by Our Staff From Dispatches

**UNITED NATIONS, New York** — Defiant even of China, North Korea says the Security Council's statement on its nuclear dispute will make no difference in its refusal to allow more inspections of its atomic plants.

"We have fulfilled our obligations on the agreement between the International Atomic Energy Agency and the Democratic People's Republic of Korea," said North Korea's chief UN delegate, Pak Gil Yon. "The issuance of even a statement will not help at all in the solution of the nuclear issues. We have nothing more to show to the IAEA inspectors at this stage."

In response to this reaction, South Korea's foreign minister, Han Sung Joo, said: "North Korea will have to respond because the Security Council will be watching and there will be further consideration if there is no progress."

On Friday, speaking on the NBC News program "Today," Mr. Han said: "We are not disappointed. This is a very good move."

"We have the Chinese on board," he said. "What the UN statement does is to open doors to create new opportunities to bring the negotiations on track."

The Security Council issued a mild call to North Korea on Thursday night to allow the nuclear agency to complete inspections of a suspected nuclear plant, after the United States yielded to China's rejection of any tougher measure.

The council issued a nonbinding appeal to North Korea to permit the International Atomic Energy Agency to finish inspecting a nuclear laboratory near Pyongyang. The agency reported two weeks ago that

North Korea had blocked its inspectors from making key tests there, so they could not determine whether plutonium had been secretly diverted from the plant.

The United States, with the support of Russia, France and Britain, had pushed the council to put the admonition in a UN resolution, which has the weight of international law. China, the only major ally of the Communist regime in Pyongyang, strongly opposed it.

Washington "has pleased in form and substance" with the action because it represented the unanimous opinion of the 15-nation council, including China, The Security Council cannot issue a formal statement unless it is unanimous.

The United States also persuaded China to accept stronger language than Beijing wanted. The statement sets a deadline of about six weeks for the nuclear agency to report back on whether the inspections are completed and whether North Korea is in compliance with international safeguards.

It calls on North Korea to resume talks with the United States and with South Korea, which were broken off after the inspections failed. The council committed itself to "further consideration" of the issue if necessary to achieve full implementation of international nuclear agreements.

American officials rejected suggestions that they had caved in to China, calling Thursday's move a "building block toward further action."

Defense Secretary William J. Perry said Friday that the UN statement showed diplomacy was working, but that a final resolution was far away.

(Reuters, WFP)

# Mother Sets Crusade to Halt Caning In Singapore

Compiled by Our Staff From Dispatches

**NEW YORK** — The mother of an American says she will begin a last-ditch crusade, including seeking a meeting with President Bill Clinton, to save her son from a caning for vandalism in Singapore.

But the youth's father said he felt the chances of success were virtually zero, that the case had become a political issue to send a signal to Singaporeans about "decadent Western ways" and that the outcome was preordained.

The teenager, Michael Peter Fay, 18, faces six lashes on his bare buttocks with a rattan, a 4-foot-long (1.2-meter) bamboo rod wielded by a martial arts expert, after a Singapore court on Thursday rejected his appeal against the sentence for at least 16 acts of vandalism, including spraying paint on cars.

Singapore denies that the youth has been singled out because he is an American or that the case is political, saying 12 Singaporeans have been caned for vandalism since 1989.

Mr. Fay has confessed to spray-painting cars and throwing eggs at other vehicles. He was sentenced to four months in prison and six lashes with a rattan cane, a punishment that results in permanent scars and usually sends prisoners into shock.

Mr. Clinton, calling the punishment extreme, has asked Singapore to reconsider.

A State Department spokesman, Mike McCurry, said Washington regretted the appeal court's decision.

"We continue to believe the caning is an excessive penalty for a youthful, nonviolent offender who pleaded guilty to reparable crimes against private property," he said.

Mr. Fay, who arrived here two years ago to live with his mother and stepfather, has now exhausted his court appeals. His final hope for avoiding the flogging rests with Singapore's president, Ong Teng Cheong, who has clemency powers.

Mr. Fay's mother, Randy Chan, said she and her former husband, George Fay, would ask Mr. Ong for clemency. She said she wanted to meet Mr. Clinton to ask him to "look toward the Singaporeans asking for compassion."

George Fay, of Dayton, Ohio, said: "I don't feel any real hope. It's got into the political arena. Everything we did up to now, like going through the appeals process, almost seems like it's a farce."

He added, "I have every reason to believe at this point that it was already preordained."

Singapore's embassy in Washington, has received many letters from Americans supporting the caning decision.

"America should be taking lessons from Singapore on how to prevent crime — hold the line — don't give in," said a letter from Huntington Beach, California.

Chin Hock Seng, first secretary at the embassy, said that more than 100 letters and 200 phone calls had been received from Americans in recent weeks.

"The vast majority express very strong support for Singapore," he said, but he did not give the percentages.

A Chicago Tribune columnist, Mike Royko, said that after he wrote about the Fay case recently, he received a stack of letters "several inches high" in response, with 99 percent supporting the flogging.

(Reuters, NYT, AP)

# AMERICAN TOPICS

## N.Y. Taxi Owners Are Told to Shape Up

The New York City Taxi and Limousine Commission has rejected a request by the owners of taxicab fleets for their first fare increase in four years. The commission says the owners of the city's 11,787 yellow cabs are providing poor service and depriving drivers of a fair share of the profits.

Before any increase is approved, the commission says, taxi owners will have to agree to a sweeping set of improvements, such as giving drivers raises and better English classes and allowing only new cars to be bought for taxis.

"The answer is no to a fare increase," said Fidel F. Del Valle, the commission's chairman. "Because we have poorer drivers, worse cabs, and even worse service."

The current fare is an initial meter rate of \$1.50 and then 25 cents for each one-fifth of a mile (about one-third of a kilometer).

Before 1979, drivers and owners checked the meter at the end of the shift and split the proceeds approximately in half. Now, owners lease taxis to drivers for the day, charging from \$85 to \$100. If the weather is bad or traffic is unusually congested, the driver risks losing money, while the owner is guaranteed his lease income.

"What we are trying to do now," Mr. Del Valle said, "is correct a 15-year imbalance that has favored the owners."

This, he said, had led to a 40 percent annual turnover in drivers and an influx of immigrants who usually cannot drive well, do not know the city and have trouble speaking English.



A HIGH-TECH INFANTRYMAN — A soldier demonstrating the prototype gear of the 21st century's foot soldier during a recent display of the U.S. Army's digital technology at Fort Irwin, California. The forward infantry soldier will be equipped with backpack computer, heat-sensing sights and a minicamera on his helmet to give rear commanders a view of the battlefield.

## Short Takes

Genetic profiling, formerly called genetic fingerprinting, is spreading through the U.S. justice system, the syndicated columnist Michael Schrage reports. With only a single hair, a flake of dandruff, a drop of saliva or a bead of sweat to go on, investigators can positively identify, or completely exonerate, a suspect based on the idiosyncrasies of the person's DNA — deoxyribonucleic acid, the molecular basis of heredity omnipresent throughout the body. Violent felons, Mr. Schrage suggests, should be required to submit to DNA sampling — a drop of blood or a saliva swab will suffice — which would go on file along with their fingerprints and mug shots.

Do opera singers have to be fat? No, but some of them need to be of generous proportions. "It depends on the type of repertoire they sing," Natalie Limonick, a Los Angeles voice coach, told The Washington Post. A Wagnerian soprano cannot be svelte. "It's not that she needs to be fat, but she needs some body capacity, some muscles in order to get past that huge orchestra." She needs a large rib cage and a strong diaphragm and back muscles. "It's really not the size of the body so much as the size of the vocal mechanism, the throat particularly," Miss Limonick said.

William Gladstone, the 19th-century British prime minister, said that the first requisite of the job is to be a good butcher. "Like British leaders," Maureen Dowd notes in The New York Times, "American presidents must know when they have reached the limits of loyalty, and be prepared to cut off troublesome friends and advisers, or persuade them to fall on the knife so obligingly held out."

Ms. Dowd notes that "President Clinton has been sacrificing friends and advisers at a rather brisk pace since he came to town." By comparison, George Bush usually "tuned out all criticism" of subordinates, and "it could be argued that this very quality led to his downfall." Ms. Dowd recalls that when an aide told Governor Earl Long of Louisiana, "I'm with you when you're right, Governor, but not when you're wrong," Mr. Long retorted, approximately, "You stupid so-and-so, I don't need you when I'm right."

Arthur Higbee

# Beijing Places Stability Ahead of Nuclear Issue

By Patrick E. Tyler

New York Times Service

**BEIJING** — China's policy toward North Korea's nuclear program reflects concern that economic sanctions on the North, and a possible military conflict that they could provoke, would threaten China's economic and political stability, Chinese and Western analysts say.

China does not want North Korea to become a nuclear power, but the risk of even a conventional war over the issue is of much greater concern to Beijing, these analysts say.

"We in the West focus on the nuclear issue," said a Western analyst, "but the Chinese, because they are residents in the neighborhood, not only are genuinely concerned that North Korea not acquire a nuclear weapons capability, but also are extremely interested in avoiding a breakdown in the regime or in provoking the regime to the point that it lashes out militarily."

The contradiction between China's desire to keep the Korean Peninsula free of nuclear weapons and its unwillingness to confront its longtime ally is frustrating China's friends and irritating its critics.

Some analysts in Beijing say that China sees North Korea's defiance over the inspection of its nuclear sites as a way for President Kim Il

Sung to shore up his power. They say it allows the 81-year-old leader to justify mobilization at home that diverts attention from a collapsing economy and a crisis in confidence in his ruling circle that is looming.

Raising the level of confrontation will only spur Mr. Kim to new heights of defiance, these analysts say.

"Are the Chinese right in saying that we cannot push North Korea too far, too fast?" asked an analyst. "I'm not sure we know the answer."

For now, the Chinese are likely to stick to a path that sees tension as a useful tool, many analysts believe.

At the same time, China is quietly stepping up its diplomatic campaign to persuade North Korea that its best future lies in economic reform, political opening and a nuclear-free military strategy. Western and Chinese officials said the number of high-level North Korean delegations traveling to Beijing had increased in recent months.

The Chinese military has also been taking North Korean generals on tours of China's boomtowns to impress on them the benefits of economic reform.

"But the Chinese are not sure the message is getting through and there is a lot of frustration in dealing with North Korea in general," an analyst said.

# Hungary Applies To Join the EU, Citing Security

Reuters

**ATHENS** — Hungary on Friday became the first former Soviet-bloc country to apply for membership in the European Union, saying this was the only way to ensure its security and integrity.

"The most important thing about this accession is that it will make our course toward Europe final and assure the security and integrity of Hungary," said Foreign Minister Geza Jeszenszky.

He delivered the application to the Greek foreign minister for European affairs, Theodoros Pangalos. Greece holds the rotating EU presidency until July.

Mr. Pangalos said he would pass the application on to his EU colleagues in Luxembourg on April 18. He has overseen accords to enlarge the Union to 16 states in January 1995, with Austria, Sweden, Norway and Finland joining.

Hungary signed an association agreement with the Union in February.

"In the past four years our economy has changed a lot, but in order to completely change we need to be full members," Mr. Jeszenszky said.

Hungary hopes to begin membership negotiations after the Union's intergovernmental conference in 1996, which is to review EU institutional structures.

Poland plans to apply later this month. The Czech Republic has said it wants to join much sooner than its neighbors.

# Doisneau, Paris's Photographer, Dies

The Associated Press

**PARIS** — Robert Doisneau, 81, whose intimate, often poignant pictures of Parisians became some of the world's best-known photographs, died Friday at a Paris hospital.

He underwent heart bypass surgery a few months ago and died of problems related to it, according to his photo agency, Rapho.

Mr. Doisneau was noted for his photographs of Paris nightlife, of lovers and children, workers and circus performers.

Even when posed, his black-and-white photos seemed to freeze a natural, poignant instant of anonymous real life. "I am photographing little scraps of time," he told the International Herald Tribune in an interview in 1989.

One of his most famous pictures, "The Kiss at City Hall," caught that spirit. Taken in 1950, it shows

a young couple stealing a kiss outside the Paris City Hall as people around them swirl by indifferently.

The spontaneous nature of that photograph — reproduced in posters, postcards, coffee mugs and on T-shirts — was stripped away during a legal dispute last year when a retired couple claimed that they were the young lovers.

To defend himself in a court case that followed — the couple claimed to seek recognition, not money — Mr. Doisneau was forced to admit that he used models for the photo.

The court rebuffed the lawsuit. An appellate hearing is set for June 14. The couple, Jean-Louis and Denise Lavergne, said Friday that they would carry on with their lawsuit.

Before the lawsuit, Mr. Doisneau regularly received mail from people claiming that they were the lovers

he had captured. He courteously wrote back each one, telling them that they were right.

**Leon Degrelle, 87, Belgian Who Sided With Germany**

**BRUSSELS (AP)** — Leon Degrelle, 87, Belgium's foremost collaborator with the German occupying forces and an unrepentant admirer of Adolf Hitler, died Thursday in Spain, almost 40 years after his native country had sentenced him to death.

Mr. Degrelle, who founded a fascist party and rode it to electoral success in the 1930s, headed the Walloon Legion, a Belgian unit in the German Army during the war.

Condemned to death for collaboration on Dec. 29, 1944, he escaped to Spain and the protection of a rightist leader, Generalissimo Francisco Franco. After he

was naturalized in 1954, his Spanish citizenship effectively ruled out extradition to Belgium.

**Bill Travers, 72, Film Actor Who Starred in 'Born Free'**

**LONDON (NYT)** — Bill Travers, 72, who played the tallest, strongest man in the Scottish Highlands in the 1956 film "Wee Georgie" and became a star 10 years later in "Born Free," died Tuesday at his home in Dorking, England, south of London.

He died in his sleep, according to the Born Free Foundation, the animal charity with which he was associated. He married his co-star in "Born Free," Virginia McKenna, in 1957. The couple increasingly devoted their lives to animal welfare and in particular campaigned against keeping animals in zoos.

# BOOKS

## ELEVATOR MUSIC:

A Surreal History of Muzak, Easy-Listening and Other Mood Songs

By Joseph Lanza. 280 pages. \$22. St. Martin's Press.

Reviewed by David Nicholson

THERE is something curiously American about Muzak. Made to be heard, and not listened to, it's like scented toilet paper and tranquilizers — one of those products designed to smooth the rough edges we once took for granted as part of life.

And yet, Muzak and other forms of background music are, like Elvis, everywhere — in malls, in stores, in restaurants and airports, in offices and factories. It has also been used in brothels and fast-food restaurants, in stockyards to calm cattle before the slaughter, and in convenience stores to keep out unruly teenagers. In fact, writes Joseph Lanza in "Elevator Music," officials at New York's Port Authority Terminal have started to play Muzak's classical channel in the hopes of keeping drug dealers and vagrants away.

Unfortunately, these kinds of tidbits are few and far between in Lanza's history of Muzak and its competitors, derivatives and siblings. In fact, "Elevator Music" is a little like Muzak itself.

Muzak, Lanza writes, was the creation of one Brigadier General George Owen Squier, inventor of multiplexing, which allowed telephone lines to carry more than one conversation. In 1922, following his retirement from the army, Squier went to North American Co. with his idea for transmitting music to homes and stores.

By the 1930s, the North American subsidiary Wired Radio Inc. was transmitting to homes, first over electrical wires and then, because the signal was cleaner, over telephone lines. The company abandoned attempts to sign up home customers — why would people pay for what they were already receiving free via radio? — and began to concentrate on "small businesses" — mostly restaurants and hotel dining rooms. Squier died in 1934, but not before coining the term Muzak, a combination of music and Kodak, to replace Wired Radio.

From early on Muzak strove to create programming that would foster different moods at different times of the day. Programs designed for restaurants, for example, included peppy morning music during breakfast hours, livelier tunes during the cocktail hour, "discreet and quietly classical" music during dinner, and danceable music after 9 P.M.

These innovations were the basis for Muzak's Stimulus Progression, Lanza writes, "a method of organizing music according to an 'Ascending Curve' that worked counter to . . . the average worker's 'fatigue curve.' Music was programmed in 15-minute blocks, 'tailored to workers' mood swings and peak periods as measured on a Muzak mood-rating scale ranging from 'Gloomy' minus three to 'Ecstatic' plus eight."

Over the years, Muzak programmers have refined the concept, added channels featuring different kinds of music and introduced once-forbidden instruments (such as the electric guitar). Still, the basic concept remains the same — music as a kind of aural wallpaper, there but not there.

Lanza surveys the entire field of what he calls "mood songs" — the "beautiful music" of FM radio, movie soundtracks, the music of such schlockmeisters as Ray Conniff, Andre Kostelanetz and Percy Faith. For him, Muzak and other forms of background music are "an artfully contrived regimen of unobtrusive harmonies and pitches . . . a concatenation of hypnotic violins, harps, celestes, and other instru-

ments connoting inherited concepts of how heaven sounds."

Suffice it to say, he fails to convince. And in the end, despite the breadth of its survey, "Elevator Music" falls short. It would have made a great magazine article — one of those long New Yorker pieces containing everything you never thought you wanted to know about the subject. As a book, however, it feels inflated and padded out.

David Nicholson's reviews appear regularly in The Washington Post.

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HIT 2-4-94

# MYSTERY THEME By Ernie Furtado

New York Times Edited by Will Shortz.

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5 Mandela's org.	102 See instructions
8 Ultraviolet light protector	103 See instructions
12 Refinement	104 See instructions
17 Louise of "Gilligan's Island"	105 See instructions
18 50's war zone	106 See instructions
21 1977 Scott	107 See instructions
22 Turf book	108 See instructions
23 Slowpoke	109 See instructions
24 See instructions	110 See instructions
25 See instructions	111 See instructions
27 Steve McQueen's TV horse	112 See instructions
28 Rights org.	113 See instructions
30 Hot clue	114 See instructions
31 Like the White Rabbit	115 See instructions
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37 "evil" . . .	117 See instructions
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42 Spirited fliers: Abbr.	120 See instructions
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Solution to Puzzle of March 26-27

ACROSS	DOWN
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# Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## Back on Track to Peace

Thursday's agreement in Cairo between Israel and the Palestine Liberation Organization promises to recapture the lost momentum toward peace. The two sides agreed to resume peace talks, deploy international monitors in troubled Hebron and speed the Israeli troop withdrawals from Gaza and Jericho as provided in the September framework peace accords.

Extremists on both sides protested. Militant Palestinians object that some 450 Jewish settlers are still permitted to live amid the 80,000 Arabs of the Hebron area. Hard-line Israelis worry about the precedent set by admitting outside observers to territory where Israel claims authority. Months of delay and violence have clearly swelled the ranks of skeptics on both sides. Yet if violence and delay have become the main threats to peace, the security measures and accelerated timetable worked out in Cairo are the right response.

Most of the substantive concessions were made by Israel. For the first time ever, Israel will accept an armed international presence in the occupied territories — a uniformed force of 160 Norwegian, Danish and Italian whose mission is to provide a feeling of security to Palestinian residents of Hebron and monitor events there. These observers, who will have no military or police powers, will report to a joint Israeli-Palestinian committee. Their initial mandate is for three months but can be extended with the agreement of both sides.

Israel has also agreed to permit the deployment of a Palestinian police force in Gaza and

Jericho, even before formal agreement is reached on the details of autonomy. That is an effective way to increase Palestinian civilian security, discourage further settler violence and avoid mistaken-identity killings by Israeli soldiers, as occurred Monday in Gaza.

In addition, in a gesture of immense psychological importance, Israel will speed up its troop withdrawals in an effort to complete them by the original target date of April 13. In return for these concessions, the PLO has now returned to the autonomy talks that it broke off after the Hebron mosque massacre in February. It has dropped demands, like its calls for removing or disarming Jewish settlers, that threatened to unravel the September peace formula. The essence of that formula is to give Palestinians authority over their own lives now, and leave issues like territory and settlers for later.

From the day Prime Minister Yitzhak Rabin and the PLO chairman, Yasser Arafat, initiated the framework peace agreement on the White House lawn, both understood that their resolve would be tested again and again by violent enemies of peace on both sides. Their fears have been amply fulfilled. But by Baruch Goldstein but by Palestinian terrorists who see Mr. Arafat as a traitor. The encouraging news is that Israeli and Palestinian leaders have now made clear their determination not to be deflected from the path of peace.

—THE NEW YORK TIMES.

## Move Gingerly on Trade

Angry sparring over trade between Japan and the United States is inevitable. Japan is running a huge trade surplus, the United States is running a huge trade deficit, and the products of both countries compete fiercely in each other's markets. But to say that trouble is inevitable is not to suggest that it is harmless. It needs to be handled carefully — more carefully than either government is currently handling it.

In the last installment in this continuing drama, Prime Minister Morihiro Hosokawa of Japan came to Washington in February for talks with President Bill Clinton. The visit was notable chiefly for the collapse of the trade talks then under way. Now the Japanese have made another offer, but it is a halfhearted proposition, and the Clinton administration has wisely rejected it. The United States wants more American products sold in Japan and a smaller trade deficit. In the background the threat of sanctions is visible.

But neither the American trade deficit nor the Japanese surplus is much affected by trade rules or the practices that the negotiators are quarreling about. When a country like Japan exports capital and invests abroad, it will automatically have a trade surplus that balances the outflow of money. Similarly, the United States has been importing capital in a big way ever since the policy mistakes of the

early Reagan years, and its trade deficit is the result. These big surpluses and deficits inflame the trade relationship and make it harder to deal with the agenda of specific industries' complaints and grievances, which are often substantial and require attention.

The prospect for any real improvement in trade relations between the two countries is smaller now than it seemed last summer. The American trade deficit will increase sharply over the coming year, largely because the U.S. economy is growing faster than Japan's or Europe's. In Japan, the election of Mr. Hosokawa, committed to political reform, offered at least the possibility that the old alliances between politicians and commercial interests might be weakened and produce more open markets. But Mr. Hosokawa, distracted by the struggles over reform legislation and hampered by a recession, appears to have no more interest than his predecessors did in a major effort to change Japanese attitudes toward imports.

The Hosokawa government now has to ask itself how long an economy as big as Japan's can prosper by running up vast, unstable surpluses. And the Clinton administration needs to consider how to prevent a swelling trade deficit next year from setting off a flood of protectionist legislation in Congress.

—THE WASHINGTON POST.

## Playing It Much Too Safe

Why wait to send peacekeepers to Bosnia until this is American policy — a comprehensive peace agreement is signed? So asks Yasushi Akashi, the United Nations' man in the former Yugoslavia. "Agreements are being reached toward that peace now, and now is the time we need troops."

He's got a point. The no-troops-till-it's-finished-and-safe policy was formed in the aftermath of American peacekeeping losses in Somalia and at a moment when the American government was in a deliberately low profile in Bosnia. But the memory of Somalia is not and should not be controlling in all circumstances. Anyway, President Bill Clinton has been having some success in the old Yugoslavia with a surge of American initiative. It is time to rethink peacekeeping and see whether and how Washington could make an appropriate contribution.

What Mr. Akashi calls a "piecemeal peace" is emerging. Sarajevo and other besieged cities are opening. It takes more peacekeepers. Washington and Moscow delivered Bosnia's Muslims and Croats to a cease-fire and a federal constitution: a big new piece of peace to police. Now the two great powers have drawn

Croatia and the breakaway Serbian region of Krajina into a cease-fire an additional 1,600 kilometers (1,000-mile) confrontation line to patrol. These increments overwhelm resources already in place. The idea that the new gains might be for want of adequate peacekeeping should be regarded as criminal.

Play hard to get, demands the Pentagon: Sticking to the old U.S. terms on peacekeeping applies powerful leverage on others to fill the gap. Here is a case of success gone unrecognized. Other countries in Europe and elsewhere have filled the gap — the old gap. Now, with the new requirements, there is an expanding new gap. Already the United States has seen fit to send 350 troops to monitor events in Macedonia. In that instance it didn't simply do nothing and call it leverage.

It is risky? It is risky. The French, who have led the way, the British and others represented on the ground have taken casualties — and stayed on the mission. It is bizarre that the United States, which keeps insisting that it will eventually dispatch peacekeepers only if NATO is in command, ignores the example of its NATO comrades and sits on the sidelines.

—THE WASHINGTON POST.

## Other Comment

### So Much Meat for the Bears

If there is one thing Wall Street can't stand, it is good news. Conference Board reports that consumer confidence has surged to a four-year high helped send stock and bond prices tumbling this week to lows 8 percent under their Jan. 31 peak. The reason: Fears of inflation and a consensus that the Federal Reserve Board will keep increasing short-term interest rates to stop it at the pass.

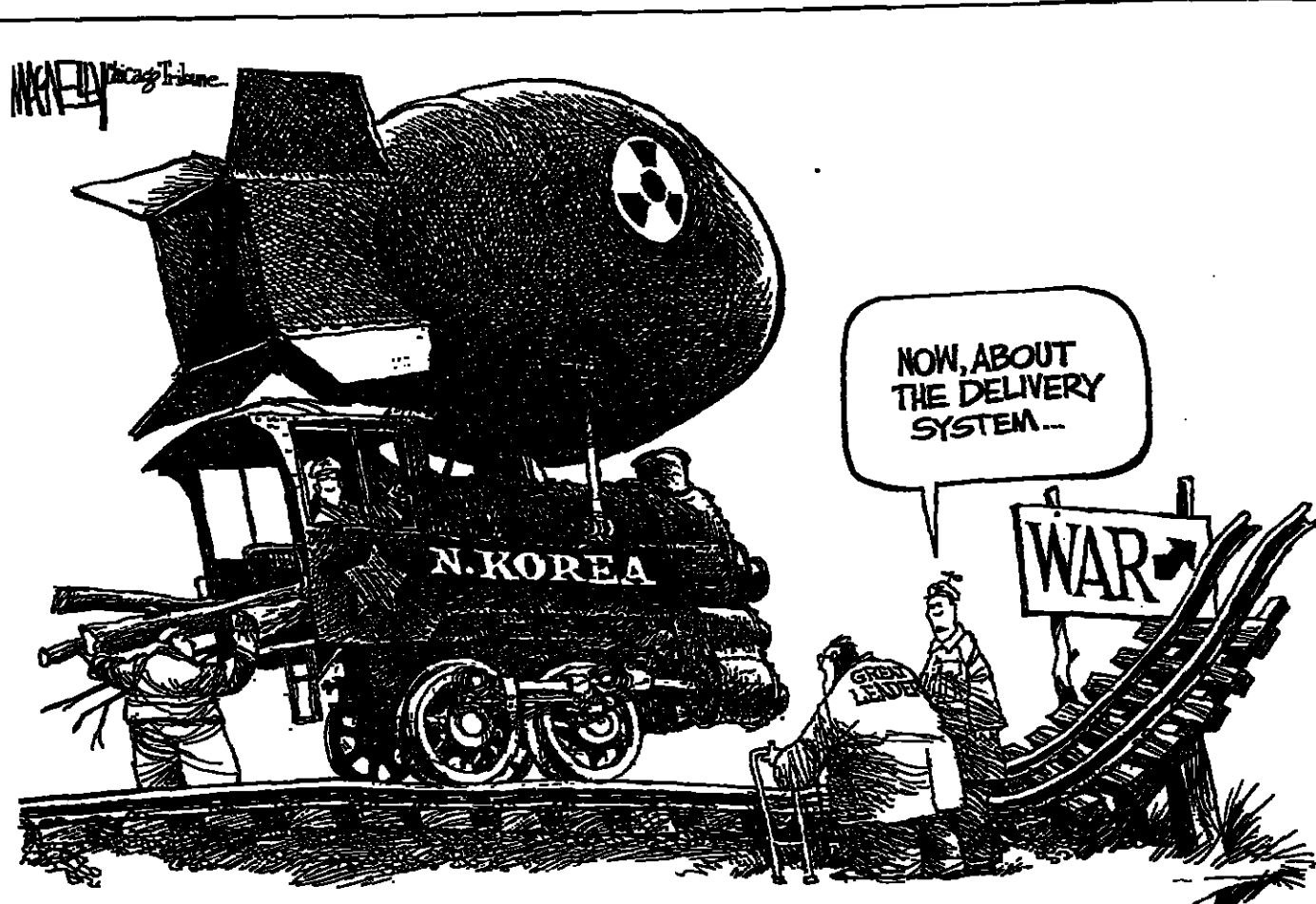
That, at least, is one explanation for the market's jittery performance. It makes more sense to us than the more common assertion that the Fed's quarter-point boosts in short-term rates in February and March, with promise of more to come, set off the tailspin. Consider all the red meat on which Wall

Street bears can chew: Japan and the United States at loggerheads on trade; a deadline approaching for the imposition of U.S.-sanctioned trade sanctions on China; North Korea rattling its incipient nuclear arsenal; Russia's economy in a swamp and Ukraine even worse; Mexico in turmoil; Whitewater corroding the White House; shrinking defense budgets imploding the weapons industry.

This would be a witch's brew for any gambler on the future, which is what financial markets are all about.

Meanwhile, the Fed chairman, Alan Greenspan, figures it is his responsibility to stifle inflation before it happens and thus give the economy a firm underpinning for long-term steady growth. We agree.

—The Baltimore Sun.



## Standing Up to a Future of Nuclear Showdowns

By Charles Krauthammer

WASHINGTON — The United States went to war with Iraq in part because, once in control of the Gulf and its oil, Iraq would soon become a nuclear power. The United States may yet have to go to war, if that is what Kim Il Sung decides, to prevent North Korea from becoming a nuclear power. And there will be future nuclear showdowns. We may be entering the era of wars of nonproliferation.

If this is our fate, it is worth asking why. Why fight nuclear proliferation? Is it not inevitable? One day everyone will have the bomb. Don't India and Israel and Pakistan already have it?

To which the answer is: They do, and it does not matter to America greatly that they do. Israel and India and Pakistan are not outlaw states ideologically committed to overthrow the world order by whatever means they can get their hands on.

The key confusion about nonproliferation is the understandable but mistaken belief that it must be universal to make sense. Nonproliferation has never been a universal goal. The five great powers have long had the bomb but recognized that the world would be infinitely more dangerous if everybody else had it, too. They are not about to give up theirs. That is the first breach of universality.

A second equally important breach distinguishes between normal and outlaw states. (The latter are not difficult to define. For convenience, use the State Department's list of terrorist states that includes North Korea, Iran, Iraq and Libya.) To be sure, it is not a good thing for many normal states to get the bomb. Proliferation has its own logic and can get out of control. Yet, while it is a cause of some worry that the Indians of the world have the bomb, they are not

a mortal threat to the world community. Consider an American domestic analogy. It is not good for too many ordinary people to have guns. They might — they do — end up using them in domestic disputes. But it is catastrophic for society when the criminal classes are heavily armed. For them, a gun is not a sometimes thing that goes off in a moment of passion or by accident, but a means of doing business.

It is armed criminals who turn cities into free-fire zones. Imagine what the world will look like when outlaw states get their hands on nuclear-tipped missiles. Which is why they must not be allowed to. But is this not a hopeless task? Is it not inevitable that they will get the bomb in the long run? To which there are three answers:

1. Life happens in the short run. One does not even get to the long run if one has not survived the short. Perhaps our grandchildren will have to deal with a world in which every crazy state has gone nuclear. But they will not even be around to deal with the problem if we have not shown ourselves capable of dealing with the early stages of the problem today.

2. Nuclear proliferation might be inevitable, but perhaps outlaw states are not. With the passage of time, it is possible that the community of outlaw states will dwindle, perhaps even disappear. By analogy, we have not solved the problem of terrorism, but there has been a steep decline worldwide in terrorist attacks ever since the states of Eastern Europe and the Soviet bloc that aided and abetted terrorists changed regimes

or, as in the case of East Germany, disappeared. It is quite possible that if potential nuclear outlaws can be held at bay for long enough, their regimes will change. In the long run, North Korea will surely disappear. Saddam Hussein will one day die. The Islamic extremism that fuels other outlaw states might burn itself out, perhaps in less time than the 75 years it took the Bolshevik enthusiasm to burn out.

3. Even if nuclear proliferation is inevitable, present vulnerability to nuclear attack is not. This is the most important reason to buy time. Today the United States is entirely defenseless. With painful slowness and over the objection of quite irrational opposition, it is just beginning to develop defenses against missile attack.

The Korean crisis presents President Bill Clinton with the opportunity to offer a vision of the world and a program of national security as coherent and compelling as that offered by President Harry Truman in 1947. Like Truman, he should speak plainly. Explain that the Korean crisis is only the first of many. That we are entering an age of proliferation. That Americans must begin a serious, accelerated effort to protect future generations with missile defenses.

We are not talking about "star wars." This is not some impossible scheme to shoot down 10,000 weapons raining down from the Soviet Union. We are talking about defense against the small arsenal of an outlaw state that could one day hold hostage San Francisco or New York.

A Democrat saying that? Why not? Harry Truman invented containment. Richard Nixon went to China. Vision does not follow a script. Washington Post Writers Group.

## In a Society Adrift, Room for Extremists to Flourish

By William Pfaff

PARIS — During the days leading up to this Easter weekend — religious season for a society that largely has lost its religious convictions, even if new forms of religious sentiment abound — the Islamic world has provided a demonstration of just how serious religion can be.

Algeria is on the brink of something close to civil war. Islamic fundamentalists and terrorists have risen up against the repressive military government, which is the legacy of the freedom movement of the 1950s. The FLN, or National Liberation Front, Afghanistan continues to be ravaged by civil war between religious factions and secular forces.

Local elections in Turkey have given unexpected success to an Islamic fundamentalist party there, which last Sunday gained the most important office up for election, that of lord mayor of Istanbul, with 25 percent of the vote. Although the national average of electoral support for the Islamic fundamentalists remains below 20 percent, this result was significant.

Turkey, after World War I, was the initial Islamic country to break away from the theocratic political tradition that in the past deprived Islamic governments of secular political legitimacy.

In Christian Europe, the Christian emperor had a divine right to "the things that are Caesar's," sanctioned by Christ's words in the New Testament. Religion functioned in its own sphere.

In Islam, as the eminent American scholar Bernard Lewis has said, "The principal function of government is to enable the individual Muslim to live a good Muslim life. This is, in the last analysis, the purpose of the state."

This is the regime the Islamic fundamentalists want to re-establish. The Turkish military revolutionary Kernal Ataturk was from the start an aggressive secularizer, banning polygamy, emancipating women and making civil marriage, the Western alphabet and Western-style education compulsory. To the extent that last week's vote represents a repudiation of Ataturk's reforms, it was a challenge of great moment to modern Turkey's leaders and to its government, under a female prime minister, Tansu Ciller.

People in the Islamic world are turning to the fundamentalists because of the failures of the secular model of modernization. There is a serious loss of morale among the modernizers themselves. In part this

failure is economic, generating unbalanced growth and the breakdown of traditional institutions, but at a deeper level it is moral. The modern world — the Western world, as it is presented to the Islamic peoples — seems morally anarchical or actively immoral. The Islamic fundamentalists promise to re-establish the values of Islam's own past.

They are most unlikely to be able to do that. The forces of secularization and internationalization are in the long term likely to prevail over any effort to turn back. But the form society will assume in many non-Western countries may prove to be very distant from the liberal West. And the liberal West — modern secular and scientific society — is not itself in particularly good shape today. The violence and moral anarchy, or the mere senselessness, of much in contemporary American society is painfully apparent, to Americans most of all. A part of the American intellectual class is even searching for a new national political-moral orientation in some kind of amalgam of cultural influences, to substitute for those of the American and Western past, naively

considered discredited by the evils with which they have been associated.

Societies dominated until World War I by an official Christianity, and divided in their mid-20th century allegiances by the rivalry between Enlightenment liberalism and apocalyptic communism, now lack a mobilizing vision of the future. The recent Italian parliamentary election result, in which the Ross Perot-like television magazine Silvio Berlusconi emerged as the country's principal political figure, with a program of demagogic promises, was produced by decades of corruption in both Christian Democratic and Socialist parties, and by the loss of the Communists' vision of a supposedly progressive alternative.

France has just endured nearly two weeks of often violent protest against government measures intended to promote youth employment. The emotional reality of the protests was denunciation of a future in which it seems that vast numbers may be deprived of meaningful work by capitalism's implacable redistribution of the economic cards in favor of developing countries with low-wage, low-benefit, low-protection labor forces.

Without work, people are literally demoralized, but so are entire societies. Freud once remarked that work is the principal factor binding most people to reality. One works not only for one's self but nearly always in some kind of collective enterprise with a moral quality; to make a better life for one's children, if only that.

The Islamic fundamentalists say they offer a society of moral integrity and purpose. Western demagogues offer that, and jobs as well. All respond to a popular sense that the moral gravity of society has been lost; and that is an ethical issue.

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## He Builds An Edifice Against Hate

By A. M. Rosenthal

NEW YORK — The American entrepreneur, born in Hungary, had just returned from one of his many visits to Budapest. He spoke with anguish of the upsurge of anti-Semitism he found there. "Well, anyway," he said, "at least it is not as bad as in Romania and Poland."

I thought of the story in the paper that morning — fascists gave important political strength in Italy. The papers call them "neo." But about fascists and Nazis I make no such distinctions, know no neos.

And then I did have one happy thought: How fine it would be if Pope John Paul II would read from his balcony on Easter Sunday and other Sundays what he had said to Tad Szulc, the American author and journalist, about Jews and Christians.

"The attitude of the Church toward the people of God's Old Testament — the Jews — can only be that they are our elder brothers in the faith," the pope said. "I have been convinced of that from my youngest years in my native town of Wadowice."

The pope's comments became more intimate and personal — how he had seen Jews rounded up by the Nazis in Poland when he was in his late teens, how he always regretted he could do nothing, but at least could keep talking of what he had seen, and how he had forever remembered the words of the 147th Psalm he had heard as a child:

"O Jerusalem, glorify the Lord, Praise thy God, O Zion." The pope spoke too of the "right" of the Jews to return to Israel, "the land of their ancestors."

The comments to Mr. Szulc were made during an interview in the papal quarters. Mr. Szulc, Polish-born, is writing the pope's biography. But he is a great sports reporter — a former New York Times reporter who broke the story about the pending Bay of Pigs invasion of Cuba.

He is not the man to let a papal exhortation lie around until it appears in hard covers. The interview will be printed Sunday in Parade magazine.

His name, incidentally, is pronounced Shulz. Shulz, not Sluk or Zulk or Skulk, as various nincompoop Times editors used to call him. When I first read the interview, I thought — nice, but no big deal; small mercies. I remembered the day in 1987 when the Pope shocked Jews by receiving Kurt Waldheim, then president of Austria, after it became known that he had been on a "wanted" list of suspected Nazi war criminals.

But I talked with specialists in papal parsing, including Rabbi A. James Rudin, director of interreligious affairs for the American Jewish Committee. He thinks the interview broke important ground.

The Pope, he says, is doing his part to build up brick by brick a new theological Catholic-Jewish "edifice" that will replace the old structure, erected by centuries of religion-spawned hatred toward Jews.

Constantly over the centuries, Christian theology has been a weapon against Jews. Their continued existence was seen as an assault against Christianity, which had its roots in Judaism but was supposed to have replaced it.

The Second Vatican Council of 1962 and 1965 ruled out the continuous theological teaching of Jews as Christ-killers — so far the most important brick. If the Pope-watches are right and Pope John Paul II meant the interview to be another brick, that is important good news.

In all the world, no stronger influence for good or evil exists than theology. What theologians think is what seminarians are taught, and what they then pass on to their congregations. As an editor I thought theology one of the most important and least covered of subjects, and still do.

If the Pope and all his clergy made the struggle against anti-Semitism not an occasional thing but a part of their priestly mission, would that end Europe's anti-Semitism? No. Anti-Semitism is far too valuable a tool for fascist-minded politicians and their thugs to surrender. Pope or not, but to any Catholic who did believe in following the teachings of the papacy yet might be leaning toward anti-Semitism, John Paul II would be crying halt: Anti-Semitism is a sin against your own religion, its origins and meaning.

Would that diminish anti-Semitism among Catholics and non-Catholic Christians who do care about religion? I think it certainly would, not completely but to some important measure, yes. And that itself would be a great achievement for any one person, in one lifetime.

The New York Times.

## IN OUR PAGES: 100, 75 AND 50 YEARS AGO

### 1894: Monarchs Meet

ABBASIA — The excitement attending the meeting of the two Monarchs of Austria and Germany, in whose hands lies for the most part the peace of Europe, has partly subsided to-day (March 30), as everyone is desirous of enjoying a day of rest. The visit of the two Monarchs to the German training ship, the Moltke, now lying off the shores of this charming sea-side resort, took place at 4 p.m. yesterday and was a very grand affair in every respect. The ship was decorated with flags, and under a tent the most magnificent Persian and Oriental carpets were spread.

### 1919: Red Cross Talks

CANNES — The Congress of the Red Cross of France, United States, Great Britain, Italy and Japan was opened to-day (April 1) by Mr. H. P. Davidson, president of the American Red Cross. Mr. Davidson, in his opening address, explained the purpose of the congress and the im-

mease social effect of the proposed crusade against disease. The co-ordination and extension of the efforts of Red Cross organizations would, he said, be a means of preventing distress among the peoples, diminishing suffering and lighten the burden of humanity. The conference will continue several weeks.

### 1944: Rumania Invaded

LONDON — [From our New York edition:] The Red Army has driven across the Prut River into Rumania at several points, in the first Russian invasion of Axis territory, and also within nineteen miles of Odessa, where thousands of Germans and Rumanians are being pinned against the Black Sea. Moscow announced last night. The historic crossing into Rumania, whose finest troops already lie in graves extending from Stalingrad or are bottled up in the Crimea, came a full week after Russia gave that shaken Axis satellite a chance to quit its partnership with Germany.



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مكتبة الصحافة





# Tracking a Treasure Back Home: Cambodia

**PARIS** — Statues mutilated or smashed to remove the head, shrines blown up, museum collections plundered. This is the broad picture in Cambodia, Tibet, Bosnia and other places. Who cares anyway? Fewer people than you might think in the so-called art world. And those who do have a hard time.

The story of the headless statue shown here begins in December 1980. That month Jean-Michel Beaudry, a Paris dealer in Far Eastern art whose wife is Thai, was in Bangkok, a city he knows well, doing the rounds of the galleries selling early sculpture and pottery. The gray sandstone figure of a woman, an admirably proportioned despite the loss of the head, arms and feet caught his eye. Smallish — 52 centimeters (20.5 inches) — it had the monumental dignity tempered by a rare feel for the human body of Khmer art at the height of its classical period, around A.D. 1200. It could have come from a great many sites in Cambodia proper or in the Cambodian areas seized by Thailand in the last two centuries.

A deal was concluded. The headless statue was shipped off to France and eventually included in a selling show in the Beaudry gallery late in 1981. A German collector whom Beaudry had never seen before walked in, liked it very much as the dealer had done, and said he wanted it. The price was 100,000 francs. Beaudry then applied for an export license.

As French procedure requires, the statue was submitted for customs clearance to a museum curator whose task was to determine whether the work of art could be allowed out of France without the French heritage incurring a loss. The specialist called in on this occasion was Albert Le Bonheur, a renowned scholar in Southeast Asian art then in charge of the Musée Guimet pending the appointment of a new director. At that time, Le Bonheur, concerned by the trail of devastation and plunder in Cambodia, routinely checked out any material coming out of the country that came to his attention. Back in his office, he started delving into the photographic archive built up over decades by the Ecole Française d'Extrême-Orient, which had been in charge of the Angkor temples.

Within a week, Le Bonheur and two of his colleagues found a black-and-white print that matched the statue in the customs warehouse. It indicated that the statue had been

kept in storage at the Dépôt de la Conservation d'Angkor until the French left in 1972. It came from the Ta Prohm temple at Angkor. In short, it had been stolen at some point. Le Bonheur rang Beaudry to inform him of the problem. The dealer said he would see to it that the sculpture went back to Cambodia. That was more easily said than done. The country, which had first

**SOURIN MELIKIAN**

undergone the genocidal tyranny of the Khmer Rouge, was now run by the Vietnamese military. Returning the statue to Cambodia under the circumstances was pointless.

Beaudry and Le Bonheur agreed to let the matter rest until new conditions prevailed in Cambodia. Le Bonheur, who had made a full report to Hubert Landais, director of French museums, had not moved to get his statue back as he was entitled to in law, since no authority had ever laid claims to its ownership. It remained at the Guimet, gathering dust. Beaudry, on the other hand, had to notify the German collector. The collector agreed to accept a refund, but, Beaudry says with a rueful laugh, "I never saw him again."

Years went by. At last, the Cambodian state was born again. In August 1993, Beaudry met the French ambassador to Phnom Penh, Philippe Coste, told him about his desire to send back the statue, and through the ambassador's good offices, was received by the Cambodian minister of culture, Nouth Nang. He repeated his story and explained that he was eager to see the statue back where it belonged. The minister expressed delight. But, Beaudry says, when he rang the new director of French museums in September and wrote formally to apply for an export permit, no answer came forth. He rang again to hear from a civil servant that the problem was delicate, no permit could be issued concerning a piece that had been stolen. He should try to see whether the embassy could help with transporting the item.

Beaudry, without much hope, put the problem to the ambassador, who explained that the diplomatic bag could not be used for carrying private property — technically, Beaudry remained the owner of the statue until he returned it physically. By then, the situation had a distinctly Kafkaesque touch. The ambassador had an inspiration. He alerted Prince Norodom Ranar-

idhi, first president of the Royal Government of Cambodia and now the prime minister. The first president had a suggestion for Beaudry: He was to contact Prince Norodom Sihanouk, the son of King Norodom Sihanouk and head of the Cambodian delegation to Unesco.

Beaudry wrote a letter on Nov. 5 and suddenly things were speeded up. By Nov. 22, he received word from the head of the delegation that the cumbersome piece could be delivered to the Cambodian delegation. A ceremony would be organized on Dec. 4. Beaudry arrived at the appointed time, carrying, he says, the headless lady wrapped in a parcel.

By all accounts, the Cambodians were truly surprised. There appears to have been no precedent to such a happy ending nor is it likely to be followed soon by many more.

In 1993, Unesco published via its International Council of Museums a bilingual booklet entitled "Cent Objets Disparus/One Hundred Missing Objects" in cooperation with the Ecole Française d'Extrême-Orient, whose documents were used. Why on earth this did not come out earlier — most of the objects vanished in the 1970s or the early 1980s — has yet to be explained. Ironically, the only sculpture known to have been returned is the Beaudry statue.

**H**AD it been published, say, two years earlier, at least two more pieces might be on their way back. On June 2, 1992, a "Khmer Gray Torso of a goddess, Baphuon style, 11th century" was included in a sale at Sotheby's, New York. It looks exactly the same as the item numbered DCA 7081 in the Unesco publication, which dates it to the late 10th century, gives Prasat Trapeang Khna in the Angkor area as its provenance and states the height to be 56 centimeters. The difference in size given in Sotheby's catalogue — 22 1/2 inches (57.8 centimeters) — means nothing. The apparent identity would surely warrant an investigation.

So would the stunning similarity between a four-faced sandstone head reproduced as DCA 3489 in the Unesco publication and lot 555 in Sotheby's catalogue of Himalayan, Indian and Southeast Asian works of art sold in London on Oct. 21, 1993. The similarity extends to the merest detail of iconography as well as to some of the more unusual dents such as a deep gash in the forehead on one of the faces. The head illustrated by Unesco belongs



Sculpture of female deity, c. 1200, returned to Cambodia.

to a statue of Brahma from Trapeang Phong and dates from the 11th century. It was ripped off the body, to which it had been previously reattached. In the process, the body was broken into bits. This might explain why the fourth face is "now missing," as stated by Sotheby's.

Asked whether the auction house has a policy of systematic investigation of monumental sculpture and archaeological objects submitted for consignment, Marjorie Stone, general counsel of Sotheby's, said, "We try to get pieces before they get included in the catalogue. We look up whatever publications are available."

Publishing is the first protective step. It is enough to deter auction houses and the more scrupulous dealers, if not hosts of other buyers

who do not have such a highly visible profile.

Regarding these, the most urgent step would be an international ban on museum acquisition, whether by purchase or by donation, of all cultural material from areas under de facto foreign occupation or in war zones. It would deal a heavy blow to speculation. But it simply won't happen. Rich institutions are busy building up their important collections. Who wants to hear that Tibetan temples have been plundered before these lovely textiles were allowed to wander away?

# The North Star And French Sun

By Michael Gibson  
International Herald Tribune

**PARIS** — If Louis XIV was the Sun King, the king of Sweden conceived of himself as the North Star — the "star that never sets." The choice of symbol is significant. The kings of Sweden, in their large and underpopulated country, were determined to emulate the brilliant monarchy to the south and the two states maintained close political, scientific and cultural ties throughout the 18th century. This much is abundantly demonstrated by "Le Soleil et l'Etoile du Nord," the big exhibition at the Grand Palais through June 13.

Although the show is largely composed of works of art, fine pieces of furniture and tableware, it is a good idea to approach it as a historical rather than an artistic exhibition. There are two good reasons for this. The first is that most of the objects assembled are of historical significance. The second is somewhat subtler and is only apparent when one reaches the slide show at the end of the exhibition.

The visitor walking in from the street cannot help being struck by the heavy luxury of many of the items (the big, ugly silver baptismal font by Jean-François Cousinet, the bloated gilt throne built for Adolf Frederick and Louise Ulrike in 1751), or by the superabundant French-inspired ornateness that characterizes much of the interior decoration of the period, because the stuff was either made in France or copied from French models by Swedish craftsmen.

This impression is only corrected at the end and the slide show makes it quite clear that the rich taste of the French court was tempered in Sweden, not only by an ingrained Lutheran reserve, but even more so by a native aesthetic of elegant simplicity that is apparent in the architecture, the landscaping, and in the way the French material was mixed with plainer and more rustic elements, heightening the charm of both.

**S**WEDEN made a spectacular entry into the 18th century with the extraordinary career of Charles XII, who, in 1700 when he was only 18, marched out of his country at the head of a tiny army to defeat a Russian force 10 times as numerous commanded by Peter the Great. Charles rearranged the map of Europe for a while but was badly beaten by Peter a few years later and died in battle at the age of 36, leaving a weakened and impoverished nation behind him.

The exhibition also evokes the major aspects of the Swedish economy during the 18th century (shipbuilding, mining and metallurgy) and traces the influence of Swedish scientific research. The dominant scientific figure was the naturalist Carolus Linnaeus whose classification of living species is still in use (he gave us Homo sapiens) and whose witty, avuncular features fairly glow at one out of yet another portrait by Roslin (who painted it free of charge).

Other important figures include Anders Celsius



Prince Gustav (1753) by Bouchardon.

who, together with Pierre-Louis Moreau de Maupertuis, rode narrow and uncomfortable, one-man sleds drawn by reindeer into the Polar Circle in 1736 and established that the globe was slightly flattened at the pole. The cold was so intense their brandy froze but they brought experimental confirmation to Newton's theoretical assertion, against Descartes who had held that the Earth was flattened, not at the pole but at the equator.

The exhibition opens with the completion in the French style of the new royal castle in Stockholm. The old one had burned down in 1697 while Charles XI was lying in state. It presents the regalia of the coronation of Adolf Frederick and his queen, evokes Louise Ulrike's castle at Drottningholm and aspects of daily life in Swedish manors, provides an overview of the reign of Gustav III, and assembles a twofold collection of Swedish artists residing in France, and French works in Swedish collections. The latter includes some noteworthy paintings, including a delicious, muted Chardin of a nurse adjusting a little girl's bonnet before they go out.

The extraordinary prestige that France enjoyed throughout Europe in the 18th century is also apparent in its relations with the kings of Sweden, but Sweden's close ties with the French court were also dictated by a need to strike a balance with threatening neighbors.

It was paradoxically a Frenchman, Napoleon's former marshal Jean Baptiste Jules Bernadotte (founder of the current dynasty), who, upon becoming king of Sweden, broke the old alliance with France, sided with Russia against the French emperor and established the basis of a neutrality that has since proven so profitable to his adopted country.

# Strong Demand at Singapore Auction

By Michael Richardson  
International Herald Tribune

**SINGAPORE** — Strong demand and high prices at a recent sale in Singapore by Christie's has confirmed the potential of the burgeoning art market in the region. At the auction, held March 26 and 27, 75 percent of the 92 Southeast Asian paintings, 94 percent of the 64 lots of Straits Chinese gold and silver jewelry, and all 91 sets of Nonya ceramics were sold.

Together with an associated auction of stamps and covers of the Straits Settlements and Southeast Asia, Christie's Spring Auction in Singapore achieved sales of 5.7 million Singapore dollars (\$3.6 million).

As a result, Christie's, which has just established its Asia headquarters in Singapore, hopes to hold a series of auctions in the island-state. Executives of the company said that the next is likely to be in March 1995 and will include an expanded offering of Southeast Asian paintings.

Future sales will be affected by a 3 percent tax on goods and services levied by the Singapore government from April 1. But Christie's appears confident that the new tax will not significantly dampen demand for regional works of art.

The recent sale featured works by Indonesian, Singaporean and Malaysian painters, as well as by Dutch, German and other European artists who spent time in the region. The next sale is likely to include paintings by Thai and Philippine artists as well.

Total sales for paintings amounted to 2.2 million Singapore dollars, for stamps almost 2 million dollars, for ceramics 636,000 dollars and for jewelry 470,000 dollars. Among highlights was the sale for 333,750 Singapore dollars, including commission, of "The Eruption of Merapi Volcano, Java at Night," painted in 1866 by Raden Saleh. An 1857 letter from Singapore to Hong Kong bearing a two-anna bisect sold for 152,250 Singapore dollars.

**C**HRIE'S first stamp auction in Singapore in May 1993 brought in 4.2 million Singapore dollars and helped convince the company that there was sufficient demand to support regular sales.

While Christie's has decided that the East Asian art market is strong enough to support regular auctions in Singapore as well as Hong Kong, Sotheby's has opted for regular sales in Hong Kong and perhaps Taiwan.

Both Sotheby's and Christie's hold auctions twice a year in Hong Kong, in spring and autumn, mainly of Chinese paintings, ceramics, jadeite jewelry and carvings, and snuff bottles. Suzanne Tory, director of Sotheby's Asia in Singapore, said there were no plans to hold a sale in Singapore in the near future. "Our feeling is that the strongest market here is in modern Chinese painting and we do not want to split the market simply for the sake of holding sales in Singapore," she said. Tory said that Sotheby's had, in effect, brought its semiannual Hong Kong sales to Singapore since 1990 by holding presale exhibitions in the island-state. For regional buyers, Sotheby's has organized an audio-link in Singa-

pore to the sale in Hong Kong. Bidders in Singapore can see color slide projections of them and bid as if they were present in Hong Kong.

Sotheby's will introduce a live video-conference facility in Singapore for its next Hong Kong sale, May 3 to 5. That will be preceded by a presale exhibition in Singapore, April 16 and 17.

Meanwhile, in a move to expand further into the Asian market, Christie's International has appointed Philip Ng, a former chairman of IBM Singapore and general manager of IBM's regional services in South and Southeast Asia, as managing director of Christie's Asia.

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# BUSINESS

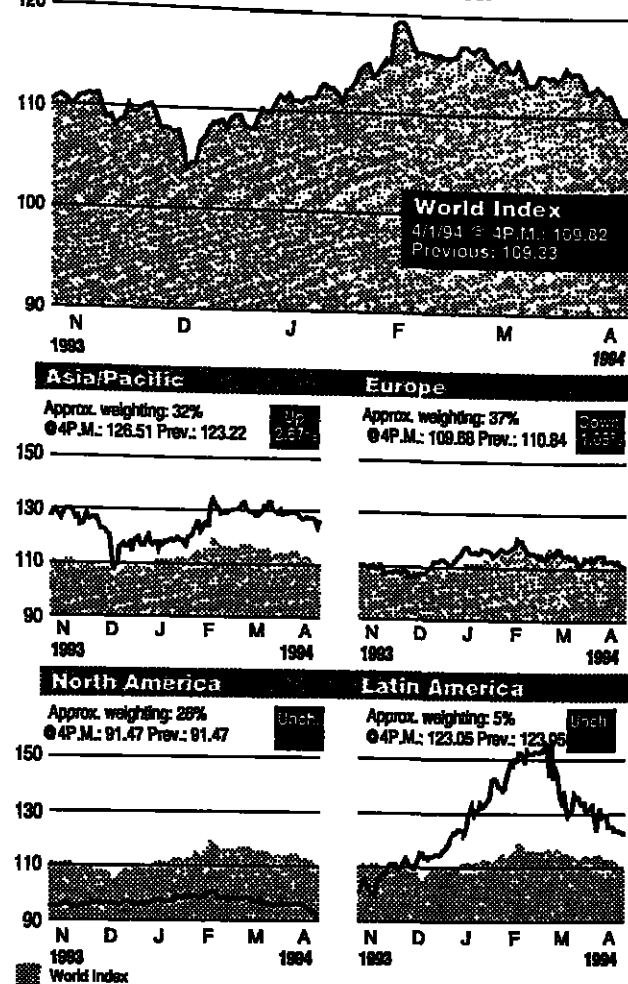
International Herald Tribune, Saturday-Sunday, April 2-3, 1994

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## THE TRIB INDEX: 109.82

International Herald Tribune World Stock Index, composed of 280 internationally investable stocks from 25 countries, compiled by Bloomberg Business News. Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and elsewhere. The index is composed of the 20 top issues in terms of market capitalization, otherwise the ten top issues are tracked.

Industrial Sectors	4/1/94	Prev. close	% change
Energy	105.48	106.06	-0.55
Utilities	121.25	121.44	-0.16
Finance	115.08	112.54	+2.26
Services	116.47	116.73	-0.22
Capital Goods	109.34	109.72	-0.35
Raw Materials	118.37	119.21	-0.70
Consumer Goods	95.82	95.90	-0.09
Miscellaneous	124.74	125.31	-0.45

For more information about the index, a booklet is available free of charge. Write to Trib Index, 181 Avenue Charles de Gaulle, 92021 Neuilly Cedex, France.

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## Marks & Spencer Lets Money Talk

### Chairman Tells Critics to Look at Retailer's Results

By Erik Ipsen  
*International Herald Tribune*

LONDON — Britain's largest retailer, Marks & Spencer PLC, looks set to keep its crown as one of the world's most profitable store groups. It is expected soon to announce 1993 profit that may be as high as £870 million (\$1.3 billion), compared with £736 million in 1992, which would give it an operating margin approaching 14 percent.

Curiously, however, those results will probably go down poorly in the City of London financial district, where many analysts say Marks & Spencer just doesn't try hard enough.

"The consensus view is that this company is not exciting enough," said Nicholas Bubb, an analyst with Morgan Stanley & Co. He and others were accusing fingers at the company's low financial leverage, meaning its low degree of indebtedness compared with its equity base; its overwhelming reliance on the slow-growing and overcrowded British retail market; and its innate conservatism. For good measure, many also throw in gripes about its secretive ways and about its deep pool of managers that some insist are not nurtured as much as clones.

As for a man who insists he has learned more about management from reading eight biographies of Harry S. Truman than he has from any management guru, Marks & Spencer's chairman, Sir Richard Greenbury, replies by going on the offensive.

"From 1983 to now, the earnings per share of this not very dynamic company have gone from 4.3 pence to nearly 20 pence. I don't think that is so bad."

From 4.3 pence to nearly 20 pence, "he said in an interview. "I don't think that is so bad."

In response to criticism that Marks & Spencer has been slow to expand its highly profitable operations in Continental Europe — where, nearly two decades after it arrived, Marks & Spencer has just 23 stores with combined revenue that Sir Richard put at "a few hundred million" pounds — the chairman said he had identified 50 European cities

**'From 1983 to now, the earnings per share of this not very dynamic company have gone from 4.3 pence to nearly 20 pence. I don't think that is so bad.'**

Sir Richard Greenbury

where he would like to plant the M&S flag. But he said he refused to act hastily and was holding out for the right sites at the right price.

Marks & Spencer, founded in 1856 by Michael Marks, a Russian Jewish emigrant, has seldom strayed from its meticulous, detail-oriented approach. Its stores, ubiquitous in Britain's shopping districts, supply a broad

range of clothing and household goods at low to moderate prices, and the company goes so far as to enlist its board members in the battle to keep costs down.

An orange sign by the light switch in the toilet across from the board room reads: "Lights Please — Why Don't You Switch It Off?"

Marks & Spencer's surprise purchase of America's prestigious but struggling clothing Brooks Brothers for £500 million in 1988 was the exception. Today, Sir Richard admits that it was bought at the wrong time for the wrong price. He also throws in the observation that trying to grow through acquisitions in retailing "doesn't work." Sir Richard became chairman after Brooks was acquired.

Jeremy Alm-Jones, an analyst for Lehman Brothers in London, was equally blunt. "According to any jury, Brooks Brothers was a very high-cost bet which they have lost," he said. Although Brooks is profitable now, Mr. Alm-Jones estimates that its returns remain well below the cost of financing the acquisition.

It is Britain, though, that is both the bane and boon of Marks & Spencer. To the company's critics it is a market with too much competition and too little growth. To Sir Richard it remains a honeypot, one where against all odds Marks & Spencer has continued to increase its market share while doing no harm to its plump profit margins.

To some extent the big retailer's success is

See MARKS, Page 11

## Dollar Surges By 2 Pfennig On Jobs Report

Bloomberg Business News

NEW YORK — The dollar soared against major currencies Friday as U.S. interest rates climbed after a government report showed the biggest monthly jobs gain since 1987.

Traders started buying dollars after the Labor Department said the economy added 456,000 jobs in March, double what some analysts had predicted. The unemployment rate remained at 6.5 percent.

In late trading on Friday, the U.S. unit had risen to 1.6972 Deutsche marks from a closing on Thursday at 1.6740 DM and had climbed to 103.65 yen from 102.70 yen.

The dollar rose to 5.7940 French francs, from 5.7200 francs Thursday, and to 1.4267 Swiss francs, from 1.4137 francs.

The pound was quoted in late trading at \$1.4735, down from \$1.4835 on Thursday.

"This was an earth-shattering employment number," said Alfonso Alejo, a trader at Sakura Bank Ltd. "The economy has gathered a lot of momentum, which could mean a turning point for the dollar."

The Commerce Department also reported that personal income rose 1.3 percent and spending grew 1 percent in February, the largest gains for both figures since last April.

Investors often buy dollars after reports showing economic strength, betting that robust growth will prompt the Federal Reserve to raise interest rates to control inflation.

The Friday report sent the U.S. 30-year bond yield to 7.25 percent, the highest yield recorded since January of last year. The yield rose 16 basis points from Thursday's close, the largest jump since Aug. 6, 1990, after Iraq invaded Kuwait. Such rate increases make dollar-denominated deposits in general more attractive.

The market was both thin and short, however. Currency trading finished at midday as most traders left early for the Good Friday holiday. London, the world's biggest

foreign-exchange center, was closed for the day.

Before the rally on Friday, the dollar had fallen almost 4 percent against the mark since Jan. 1, but by sinking U.S. stock and bond prices, and by concern about President Bill Clinton's involvement in the Whitewater affair, stubbornly high German interest rates have also weighed on the U.S. currency.

"The market will have a different view on the dollar on Monday," said Steve Flanagan, a trader at PaineWebber. "It's much easier to make the case for a stronger dollar now."

The monthly employment report is considered one of the broadest assessments of the economy's strength. With employment on the rise, the Fed is considered more willing to raise U.S. interest rates.

The Fed has raised rates twice this year, pushing the federal fund rate up to 3.5 percent from 3 percent. The funds rate is the rate charged by banks to one another for overnight loans.

Interest rates remain higher in Germany than in the United States. Germany's securities repurchase rate, a key money market rate, stands at 5.76 percent. Traders will be more willing to own dollars as the gap between U.S. and German rates narrows.

The dollar rose against the yen in Tokyo trading, meantime, after the Bank of Japan bought the U.S. currency, traders said. The central bank bought dollars throughout March in an effort to keep the yen from rising. A strong yen hurts Japan's manufacturers by making their products more expensive abroad.

The dollar has fallen almost 1 percent against the yen since U.S. Japanese trade talks collapsed on Feb. 11. Without progress at the bargaining table, the Clinton administration is considered more likely to call for a strong yen to curb Japan's \$60 billion trade surplus with the United States.

Elsewhere the Canadian dollar tumbled to a seven-year low of 71.97 U.S. cents.

## China's Growth Slowed in 1st Quarter

Bloomberg Business News

BEIJING — The growth in China's industrial economy is forecast to have slowed in the first quarter of 1994 because of a fall in state sector output, major newspapers reported Friday.

A forecast by the State Information Center said that industrial output grew 17 percent in the first quarter of this year compared with the like period a year ago, according to China Securities, an official newspaper. This is down from a 21.1 percent growth rate in 1993.

The report said that state sector output inched up only 0.4 percent during the first quarter and actually fell by 1.3 percent in March, the paper said.

This contrasted starkly with col-

lectively owned companies, which recorded output growth of 29.6 percent in the first quarter, and private companies, which posted growth of 70.4 percent. Growth in those two categories had been fueled by a 24 percent rise in retail sales.

China's state companies, which account for just under a half of industrial output, are always the first hit when the government tightens credit to slow the economy.

While the collective and private sectors fuel their expansion with profits and loans from unofficial channels, more than a third of state enterprises post losses despite being financed mainly by low-interest loans from state banks.

A central bank official said Thursday that credit from state

banks would again be eased slightly in response to "very loud calls" from even the healthiest state enterprises, the Financial News reported Friday.

"The central bank must support efficient enterprises with working capital loans and appropriately increase the scale of loans where they are suffering fund shortages," Zhou Zhongqun, deputy governor of the People's Bank of China, was quoted as saying.

Western economists have said that an injection of credit to ease shortages of funds in state companies last October was partly to blame for a resurgence in inflation, which hit an annual rate of 20 percent in January and February this year.

The State Information Center

did not give a forecast for inflation in the first quarter. It said if industrial growth stays at about 15 percent, China can meet its target of bringing inflation down.

### China Targets Forgers

China's tax reforms are experiencing serious teething problems, with the authorities forced to launch a crackdown on people forging invoices to evade or cheat on taxes, the China Daily said Friday, according to a dispatch from Agence France-Presse in Beijing.

Since the launch on Jan. 1 of the most dramatic tax reforms since 1949, the practice of forging, selling and stealing invoices has increased dramatically, the newspaper quoted an official as saying.

## ECONOMIC SCENE

### Zedillo Needs to Learn Fast

By Anthony DePalma  
*New York Times Service*

MEXICO CITY — Foreign investors got what they wanted when a classically trained economist was selected to replace the governing party's slain presidential candidate in Mexico, but now they are concerned that the candidate's great strengths in handling the economy may turn out to be a weakness in handling the country.

Ernesto Zedillo Ponce de Leon has a doctorate in economics from Yale and such extensive experience in Mexico's central bank and its budget ministry that, if he is elected president on Aug. 31, as expected, he would become one of the most economically skilled heads of state in the world.

So why should financiers worry? Because Mr. Zedillo has never before run for office, and because he has a wooden style of speech and an aloof manner that will not help much in calming a nation distraught by three months of violence and demands for social justice.

Many investors are now concerned more about political instability than about inflation.

"What's not clear is the sort of political skills he might bring to the job," said Lawrence D. Krohn, chief Latin American economist at Lehman Brothers.

"To what extent he might command the support of the majority of poor and lower-class Mexicans is another area of concern," Mr. Krohn said. "He's reputed not to have the common touch, but then neither did Salinas. He's young enough, though. He could learn."

Mr. Zedillo, 42, is widely known as a free-market economist who cut his teeth within the polished walls of the Bank of Mexico, the central bank. He has been a key member of President Carlos Salinas de Gortari's team, serving almost

four years as minister of planning and budget and two years as education secretary.

He is expected to continue most of Mr. Salinas's economic programs, having had a strong hand in carrying them out, and is known to support the North American Free Trade Agreement. Mexican business was pleased with his selection.

Luis German Carroba Garcia, president of the Business Coordinating Council, said the choice of Mr. Zedillo was a clear signal that current economic programs would continue.

Mr. Zedillo grew up on the poor streets of the border city of Mexicali in the Baja peninsula.

He attended Yale University on a scholarship from the Mexican government. A thesis adviser, Gustav Ranis, remembers Mr. Zedillo as "always a moderate in his view, not a rabid free-marketeer nor an interventionist — a very mature person even at a young age."

He is someone who believes in the role of government very much," Mr. Ranis, an international economist, said. "But he wants the government to work with the market, not obstruct it."

While at the Bank of Mexico in the years after the Mexican debt crisis of 1982, Mr. Zedillo oversaw a multimillion-dollar trust set up to help private businesses that could not pay their international debts because the peso had been devalued and dollars were hard to come by.

The trust made sure that dollars were available, and also protected the businesses from further peso fluctuations.

In 1988, Mr. Zedillo joined Mr. Salinas's cabinet. He took control of the Office of Budget and Planning, the same office once held by Mr. Salinas and by the president before him, Miguel de la Madrid.

Mr. Zedillo played a key role in drawing up a national development plan and the programs that have helped lower Mexico's inflation rate to single digits.

## Market Takes Its Revenge on 3 Hedge Funds

By Saul Hansell  
*New York Times Service*

NEW YORK — Three private investment funds that had assets of \$2 billion two months ago have been liquidated in a series of fire sales on Wall Street, virtually wiping out the holdings of a group of wealthy individuals and big corporations.

The funds, managed by Askin Capital Management, used sophisticated strategies to invest in complex securities based on packages of home mortgages. Like many such aggressive investment pools, known as hedge funds, Askin borrowed \$2.50 for every dollar invested.

While that sort of leverage amplifies the potential gains in the fund, it also magnifies the losses.

Thus, as prices on its holdings declined along with other bonds in recent months, Askin had to sell some of its holdings at a loss to provide the collateral demanded by its margin calls.

These sales accelerated the market slide in Askin's holdings, generally thinly traded securities.

Wednesday and Thursday, big brokerage firms auctioned much of the remainder of Askin's holdings. David Askin, the firm's principal, said that he had not received a full accounting from these brokerage firms, but that it was likely that nearly all of the \$600 million in equity capital provided by investors has been wiped out.

In fact, it is possible that some brokerage firms were not able to

recover the full value of their loans and may take a loss.

"It's embarrassing, but I don't know where we stand," he said. "We'll be in on Monday to see what we have. If there is anything left, we'll rebalance the portfolio and go on. If there's nothing left, I guess that's it."

On Wednesday, Capital Holding Corp., an insurance company in Louisville, Kentucky, that had invested \$52 million in an Askin fund known as Granite Partners, said it would take a first-quarter charge of 20 cents to 36 cents a share because of the losses.

In theory, Askin used an investing approach known as market neutral, meaning that the funds were not supposed to be affected by changes in interest rates. If the fund bought a mortgage-backed bond that would fall in value as interest rates rose, it would hedge that risk with an offsetting transaction.

For example, the fund could borrow and sell short a Treasury bond — a position that would gain money as interest rates rose. Or the fund would use other instruments like futures, options and swaps related to Treasury bonds.

Market-neutral investing, both in the stock market and the bond market, has been one of the hottest trends among hedge fund investors, including wealthy individuals, non-

U.S. banks and some aggressive corporations. Increasingly, pension funds have also been investing in the funds.

The funds make money by betting on the spread, or price difference, between securities. They would buy what they considered undervalued mortgage-backed securities and bet on a rise in price relative to Treasury bonds.

The mortgage-backed securities market is a fertile ground for such a

strategy because many of its instruments are very complex. Brokerage firms take a pool of mortgages and divide them into dozens of different securities with various terms.

Some securities only receive the principal payments from the home loans; others only receive the interest. These are known as POs and IOs respectively. Others are even more arcane.

The prices of these complex securities have fallen sharply as inter-

est rates have risen over the last two months. The losses were so sharp, Mr. Askin said, that the funds were not able to maintain their hedges. Thus, the losses increased.

By the time the portfolio and its losses were disclosed to investors earlier this week, the hedges were small, making the funds highly vulnerable to further declines in the bond market, according to investors in the funds.

## Mutual Fund Holders Hunker Down

By Leslie Wayne  
*New York Times Service*

NEW YORK — Mutual funds, which hold more than \$2 trillion in stocks and bonds, have remained relatively calm despite the nail-biting performance of the stock and bond markets.

As the markets gyrated in price, raising concerns of an impending bear market for all kinds of securities, mutual fund investors appeared to take Thursday's events in stride. The stock market was closed Friday.

On Thursday, for the first time in months, sales exceeded purchases of shares in stock and bond funds, but only by a modest amount. Telephone calls were up, many mutual fund companies reported, as investors peppered fund companies with questions.

Many investors switched their money into short-term money-market funds, to protect against potential further losses. But, in general, most fund companies said that small investors appeared to be sitting tight.

"We see concern, but not panic," said John Bren-

nan, president of Vanguard Group, the third-largest mutual fund group.

The calm behavior of mutual fund investors, who are smaller retail customers, is consistent with how they reacted over similar market breaks in October 1987 and in August 1990, just before the Gulf War.

Even in 1987, when the Dow Jones industrial fell by more than 500 points in one day, mutual fund investors redeemed less than 2 percent of their assets.

Since then, individual investors have become far more sophisticated about market movements, remaining steady when markets fall. And many have invested in mutual funds for the long haul — for instance, to pay for retirement — and are being advised to ignore short-term fluctuations.

"Our phone volume really picked up quite a bit," Jane P. Jamieson, a spokeswoman for Fidelity Investments, said. "A lot of our investors have been through market corrections before and know it doesn't pay to react to short-term situations."

### France Delays The Sale of Banque Hervet

Bloomberg Business News

PARIS — The government said Friday that it would postpone the sale of Banque Hervet and make a 750 million French franc (\$125 million) capital injection to bring the troubled state-controlled bank back to financial health.

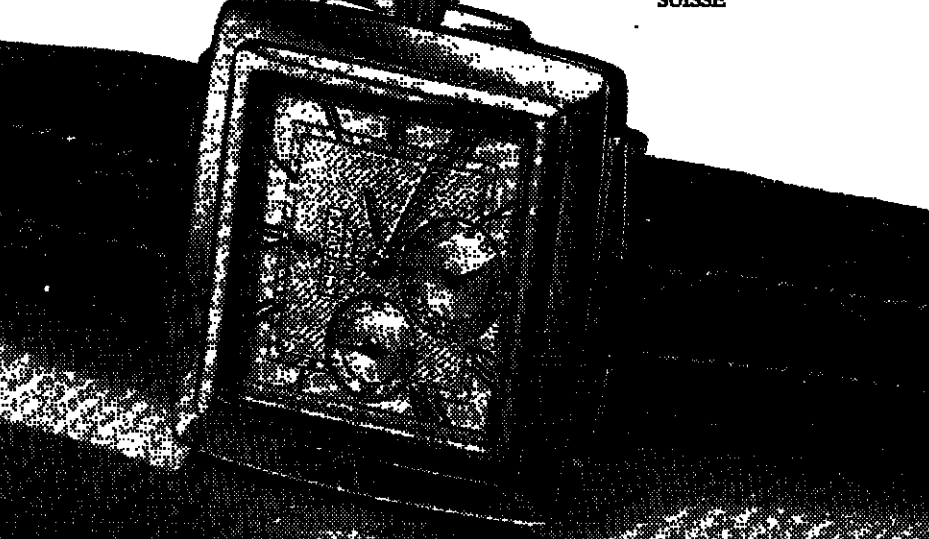
The Economy Ministry said that Hervet's 1993 accounts showed a 1.2 billion franc net loss because of provisions for bad loans to companies and the real estate sector. This was despite an operating profit of 327 million francs.

The 750 million francs comes after a 150 million franc injection made in late 1993.

Banque Hervet was in the first batch of state-owned companies scheduled to be sold to the private sector. Unlike the others, however, it was never meant to be sold in a public offering but in a private transaction. Initially, Crédit Commercial de France was said to be interested.

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Cross Rates									
	\$	DM	F	Y	£	S	¥	₹	₪
American	1.00	1.63	6.55	163.6	0.69	136.7	1.07	20.48	3.67
British	0.69	1.00	4.00	163.6	0.69	136.7	1.07	20.48	3.67
French	0.15	0.25	1.00	6.55	0.15	3.00	0.15	3.00	0.15
German	0.61	1.00	6.55	163.6	0.61	120.0	1.00	20.48	3.67
Italian	0.19	0.33	1.00	193.6	0.19	37.5	0.19	37.5	0.19
Japanese	0.0074	0.0125	0.0074	1.00	0.0074	136.7	0.0074	136.7	0.0074
Spanish	0.16	0.28	1.00	163.6	0.16	31.2	0.16	31.2	0.16
Swiss	0.75	1.00	6.55	163.6	0.75	145.5	1.00	20.48	3.67
Thai	0.02	0.035	0.02	100.0	0.02	20.48	0.02	100.0	0.02
Turkish	0.0002	0.00035	0.0002	100.0	0.0002	20.48	0.0002	100.0	0.0002
U.S. dollar	1.00	1.63	6.55	163.6	0.69	136.7	1.00	20.48	3.67
Yen	136.7	223.6	136.7	1.00	136.7	1.00	1.00	1.00	1.00
₹	20.48	36.7	20.48	36.7	1.00	1.00	20.48	1.00	1.00
₪	3.67	6.5	3.67	6.5	0.28	0.28	3.67	1.00	1.00
Eurocurrency Deposits									
	1 month	3 months	6 months	1 year	18 months	24 months	36 months	48 months	60 months
American	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
British	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
French	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
German	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Italian	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Japanese	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Spanish	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Swiss	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Thai	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Turkish	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
U.S. dollar	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Yen	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
₹	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
₪	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Money Rates									
	1 month	3 months	6 months	1 year	18 months	24 months	36 months	48 months	60 months
American	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
British	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
French	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
German	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Italian	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Japanese	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Spanish	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Swiss	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Thai	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Turkish	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
U.S. dollar	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Yen	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
₹	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
₪	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Forward Rates									
	30-day	60-day	90-day	120-day	150-day	180-day	210-day	240-day	360-day
American	1.6300	1.6312	1.6324	1.6336	1.6348	1.6360	1.6372	1.6384	1.6396
British	1.4789	1.4801	1.4813	1.4825	1.4837	1.4849	1.4861	1.4873	1.4885
French	1.4172	1.4184	1.4196	1.4208	1.4220	1.4232	1.4244	1.4256	1.4268
German	1.4172	1.4184	1.4196	1.4208	1.4220	1.4232	1.4244	1.4256	1.4268
Italian	1.4172	1.4184	1.4196	1.4208	1.4220	1.4232	1.4244	1.4256	1.4268
Japanese	1.4172	1.4184	1.4196	1.4208	1.4220	1.4232	1.4244	1.4256	1.4268
Spanish	1.4172	1.4184	1.4196	1.4208	1.4220	1.4232	1.4244	1.4256	1.4268
Swiss	1.4172	1.4184	1.4196	1.4208	1.4220	1.4232	1.4244	1.4256	1.4268
Thai	1.4172	1.4184	1.4196	1.4208	1.4220	1.4232	1.4244	1.4256	1.4268
Turkish	1.4172	1.4184	1.4196	1.4208	1.4220	1.4232	1.4244	1.4256	1.4268
U.S. dollar	1.4172	1.4184	1.4196	1.4208	1.4220	1.4232	1.4244	1.4256	1.4268
Yen	1.4172	1.4184	1.4196	1.4208	1.4220	1.4232	1.4244	1.4256	1.4268
₹	1.4172	1.4184	1.4196	1.4208	1.4220	1.4232	1.4244	1.4256	1.4268
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American	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
British	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
French	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
German	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Italian	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Japanese	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Spanish	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Swiss	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Thai	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Turkish	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
U.S. dollar	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
Yen	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
₹	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50
₪	5.50	5.75	6.00	6.25	6.50	6.75	7.00	7.25	7.50



# Italy's Treasury Says the Deficit Is Still Growing

Compiled by Our Staff From Dispatches

ROME — The rightist parties that are expected to form Italy's next government will inherit a more sluggish economy than was previously expected and a widening budget deficit, the country's Treasury warned Friday.

The publishing, retailing and real-estate executive Silvio Berlusconi, whose rightist Freedom Alliance finished first in the elections a week ago, was meeting leaders of other parties Friday to try to form a government. His alliance pledged during the campaign to cut taxes and boost employment.

The Treasury's quarterly budget report said Italy's economy would grow 1.3 percent in 1994, rather than the 1.6 percent growth in gross domestic product that the departing prime minister, Carlo Azeglio Ciampi, had set as a target.

The sharp fall in Italian interest rates over the past year should help economic recovery by making it easier for businesses to borrow for investment. But the Treasury cautioned that recovery in Italy depended on the health of other European economies, which are also battling to emerge from recession.

Its report said that Europe's recovery "will take some time" and added that the recession in Italy had been "accelerated" in the final quarter of 1993.

In addition, although Mr. Ciampi had aimed to hold this year's budget deficit to 144.2 trillion lire (\$90 billion), the Treasury said it would come to 159 trillion lire, largely because of a deeper-than-expected recession last year, when the economy shrank 0.7 percent.

But the Treasury cautioned against rushing into a new austerity package, saying that would risk delaying recovery from Italy's worst recession in its postwar history.

The report, which cautioned that its findings were preliminary and subject to revision, attributed 10 trillion lire of the deficit's widening to lower tax receipts caused by the recession.

The outgoing government also had set a target of 31 trillion lire for Italy's so-called primary surplus — or revenue minus spending before interest payments on the national debt. The Treasury report said the primary surplus was more likely to be around 10 trillion lire instead.

Receipts from the government's program of selling state assets are not included in the provisions because they are going into a special fund to reduce the government debt. The government in the past four months has raised 7 trillion lire by selling stakes in three state banks, and it is due to sell an insurance company.

(Reuters, Bloomberg)

# Are Foreign Firms Fleeing Spain?

## 70,000 Jobs at Risk as More Companies Cut Back

Knights-Ridder

MADRID — Suzuki Motor Corp., Nissan Motor Co., Gillette Co., Kubota Corp.: All of these multinational firms have announced over the past few weeks plans to shut down or drastically reduce their operations in Spain.

The string of bad news has come on the heels of earlier cutbacks, including those made by Volkswagen AG, Iveco Fiat SpA and Mercedes-Benz AG. The chain of events has sparked alarm in Spanish business circles and the local press over whether the companies that poured their capital and know-how into Spain in the euphoric late 1980s will now withdraw en masse.

The press has given especially close coverage to the latest reductions, since the Suzuki plant — Santana Motor, which manufactures four-wheel drive vehicles in the southern town of Linares — plans to lay off nearly 60 percent of its work force.

Four-fifths of the population of Linares earns a living either directly or indirectly from the Santana plant, and workers have reacted violently to Suzuki's layoff announcement.

Nissan plans to cut 1,500 jobs over the next two years, while Gillette and Kubota plan to shut down altogether. In total, the most recent announcements mean the loss of about 3,500 direct jobs, but when added to earlier cases such as Volkswagen, which is closing a SEAT assembly line in Barcelona, well over 70,000 jobs could be affected both directly and indirectly, in a country where official unemployment is now nearly 24 percent.

Some analysts say the exodus is not surprising. The fast rise in Spain's labor costs since it joined the European Union and the deficiencies in infrastructure may have disillusioned foreign investors who came to Spain seeking low-cost labor and easy access to the European market.

Some executives say the most important factor is the condition of infrastructure. "Production costs today are very similar in all of Europe," says Josep Fernandez Royo of the toymaker Mattel Inc. "What companies give the highest priority to are factors such as infrastructure, property costs and availability of telecommunications."

Others say that the Spanish work force has turned out to be less productive than hoped. Suzuki said its Linares factory has nearly

**Suzuki said its Spanish factory has three times as many workers as its Canadian and Japanese plants, which make more vehicles.**

three times as many workers as its Canadian and Japanese plants, which manufacture more vehicles.

Another problem dampening multinational firms' fervor is the rigidity of the Spanish labor market. Most layoffs need official approval, required severance payments are high and workers on the job for more than three consecutive years must be either dismissed or given a permanent contract.

Labor issues were cited as the main problem encountered by 236 Japanese companies in Spain last year, according to a survey conducted by the Japan External Trade Organization in Madrid.

Many observers say foreign companies have turned sour on Spain as part of a broader disillusionment with its economic policies.

"The problem is the difference between the measures that are announced and those that are finally implemented," said the chief executive of one multinational consulting firm. He was referring to long-promised labor market reforms, a much-discussed liberalization of local markets for services, and the failure to bring government spending under control. The government's deficit was estimated at a whopping 7.5 percent of gross domestic product in 1993.

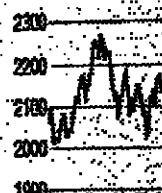


But other analysts said that what was really important about the multinationals' decisions to abandon Spain was what it revealed about Spanish business attitudes and Spain's prospects of ever "catching up" with the rest of Europe in income levels.

Mauro Guillen, assistant professor of international management at Massachusetts Institute of Technology and a specialist in foreign investment in Spain, said that the recent string of bad news gave little real cause for concern in itself.

"This affects a very small percentage of the stock of foreign direct investment in Spain, maybe only 2 to 3 percent," he said. "It also appears that these cases are relatively isolated, and I don't believe that they mark the beginning of a new trend."

Mr. Guillen said that in nearly all cases, the companies in question were suffering from overcapacity because of the economic downturn and needed to reduce output somewhat. "The basic variables have not changed, and it is unlikely that multinationals would have miscalculated so seriously over what would happen to Spanish labor costs in the future," he said.

Mr. Guillen said that he was more concerned about a related problem: Not that foreigners may no longer invest in Spain, but that a Spain heavily dependent on foreign investment is vulnerable because it is not making its own investments abroad.

Investor's Europe				
Frankfurt DAX		London FTSE 100 Index		Paris CAC 40
				
1990 1991 1992 1993 1994		1990 1991 1992 1993 1994		1990 1991 1992 1993 1994
Exchange	Index	Open	Close	% Change
Amsterdam	AEX	Closed	493.35	
Brussels	Stock Index	Closed	7,437.78	
Frankfurt	DAX	Closed	2,138.11	
Frankfurt	FAZ	Closed	570.78	
Helsinki	HEX	Closed	2,039	
London	Financial Times 100	Closed	2,139.10	
London	FTSE 100	Closed	3,006.40	
Madrid	General Index	Closed	1,028.4	
Milan	MBE	1,152.95	1,124.00	-0.26
Paris	CAC 40	Closed	2,081.84	
Stockholm	Almindex 20	Closed	2,050	
Vienne	Stock Index	Closed	478.07	
Zurich	SBS	Closed	592.07	
Sources: Reuters, AFP				
International Herald Tribune				



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## Japan Chipmakers To Collaborate in Research Forum

By Andrew Pollack

New York Times Service

TOKYO — Japan's major semiconductor companies, worried that they are now falling behind their American competitors, are planning a collaborative research institute aimed at improving their technology and competitiveness, industry officials said Friday.

Ten companies are expected to join the Semiconductor Industry Research Institute Japan when it is established in early May, said Tetsu Saito, a spokesman for NEC Corp., Japan's largest chipmaker and one of the main backers of the plan.

It appears that the effort will be considerably less ambitious than Sematech, the American semiconductor industry consortium, which has its own chip factory. Based in Austin, Texas, Sematech has a budget of about \$200 million a year, half from the federal government and half from industry.

Mr. Saito said the budget and exact plans for the institute are still under discussion. It is not decided yet, for instance, whether the new organization will have its own laboratories or production facilities.

Another person familiar with the plan said the organization will be merely a "think tank" that will provide advice on long-term directions and strategies for the industry but not engage in its own research.

An official of the Ministry of International Trade and Industry said the Japanese effort will not be funded by the government.

Japanese companies swept to control of the computer memory

chip business in the mid-1980s thanks in large measure to a government-industry technology development program in the 1970s that has long been cited as one of the great successes of Japan's industrial policy.

But in more recent years, Japan's semiconductor companies have shied away from industrywide collaborations partly out of fear that American companies would criticize such efforts as unfair.

Now, however, Japanese semiconductor companies are under pressure from a revived American industry and from South Korean companies, which are making major gains in the memory chip business.

"If the Japanese industry does nothing more the situation will be very bad," Mr. Saito said. "Now is the time to take some action."

Hajime Sasaki, the executive in charge of semiconductors at NEC, is expected to be the chairman of the new institute. Other companies involved are said to be Fujitsu Ltd., Hitachi Ltd., Mitsubishi Electric Corp., Oki Electric Industry Co., Sanyo Electric Co., Sharp Corp., Sony Corp., Toshiba Corp., and a unit of Matsushita Electric Industrial Co.

In recent semiconductor trade talks, Japan has sounded out the United States about letting Japanese and other foreign companies join Sematech, a Japanese official said.

But, he said, the answer so far has been "no."

## Doors Closing in Japan

### Recession Blocks the Way for Women

Reuters

TOKYO — Corporate Japan welcomed a fresh intake of graduates Friday, the first day of its new financial year. But with its recession dragging on, their numbers were smaller than in previous years, and women were scarce.

Toyo Keizai Inc., a financial-information company, said a survey it had made showed that one in every three companies had offered no jobs at all to women university graduates.

The survey, covering 1,965 publicly traded companies and insurers, showed that 1,011 had taken none of the number of women recruits and 680 had taken none.

As a result, the number of women graduates entering the work force plunged 29 percent from last year, to 15,600, barely half the peak level of 1992, Toyo Keizai said.

The total number of graduates hired fell 26 percent, to 85,075.

The bad news for young, well-educated women was found across the board, even at companies, such as Sumitomo Bank Ltd., that previously actively sought women recruits, the survey showed.

"It is a hopeless situation for female graduates," Toyo Keizai commented. "And in 1995 the situation will be even worse."

With this brick wall standing between them and a business career, young women have been casting around for other ways to find work.

Some have decided to go on to graduate school or take specialized training, whereas others are accepting part-time jobs, said Masaya Kinoshita, general manager at Recruit Co., Japan's biggest publisher of employment news.

One television report said some were looking for work elsewhere, such as in Hong Kong. Some of those who had come from small towns in Japan were returning to their hometowns, where they could live more cheaply.

"It is strange to say that only women have been hit by the recession," Mr. Kinoshita said. "But companies are cutting down on office workers, and many women work in this sector."

He also said fewer vacancies were turning up in such jobs, because the women who have them were staying longer.

"Previously, women workers quit when they got married, but nowadays, with household revenue declining, they don't quit until they have babies," Mr. Kinoshita said.

## Bank Chief Resigns in Malaysia

Compiled by Our Staff From Despatches

KUALA LUMPUR — Malaysia's central bank governor resigned Friday, taking responsibility for a huge currency trading loss, and the political opposition called for the finance minister to follow him.

The governor, Jaffar Hussein, resigned one day after he announced that the bank had lost 5.7 billion ringgit (\$2.1 billion) in trading last year, saying "I was made" and took personal responsibility.

The finance minister, Anwar Ibrahim, who is also deputy prime minister, said Friday that the government had accepted Mr. Jaffar's application for early retirement, effective May 1.

The bank, long known as one of the most swashbuckling players on the currency markets, had lost 9.3 billion ringgit in 1992, largely as a result of the collapse of the pound when Britain withdrew from Europe's exchange rate mechanism.

A central bank report released on Thursday attributed the losses in 1993 to unwinding forward positions taken the year before.

The opposition leader in Malaysia's parliament, Lim Kit Siang, said the losses "must rank as the greatest financial scandal in Malaysian history" and called for Mr. Anwar to resign. Mr. Lim asked for the creation of a commission of inquiry.

Syed Husin Ali, president of the opposition Malaysian Peoples Party, said that Mr. Anwar had to act honorably by resigning.

Economists say the foreign exchange losses would make the central bank technically insolvent without the government's backing. The losses exceed its paid-up capital and its general reserves.

(Reuters, Bloomberg, AFP)

## Investor's Asia

Hong Kong	Singapore	Tokyo
Hang Seng	Strait Times	Nikkei 225
12000	2000	20000
11000	2000	19000
10000	2000	18000
9000	2000	17000
8000	2000	16000
7000	2000	15000
6000	2000	14000
5000	2000	13000
4000	2000	12000
3000	2000	11000
2000	2000	10000
1000	2000	9000
0	2000	8000

Sources: Reuters, AFP

## Very briefly:

- Occidental Petroleum Corp. agreed to take an interest in an oil and gas exploration block off Vietnam, the head of the state oil company, PetroVietnam, said; separately, Hanoi announced a 20 percent cut in profit taxes on businesses owned by overseas Vietnamese.
- South Korea's central bank designated 76 subsidiaries of the country's 30 largest conglomerates as special companies not subject to credit controls, bank officials said, in a move to help the companies obtain financing so they can better compete globally.
- India's first private bank is opening in Ahmedabad: UTI Bank Ltd., a venture of Unit Trust of India, the country's largest mutual fund, plans to open branches in six other cities within a year.
- Malaysia has licensed a local consortium to run the country's second national carrier, which is expected to call itself Air Asia Sdn. and to start by operating charter flights to tourist destinations in Asia.
- Sanyo Electric Co. plans to make about 120,000 color television sets for the Polish market at its factory in Warsaw this year.

AFP, Reuters, Bloomberg

## WORLD STOCK MARKETS

Agencies: France Press April 1

Milan		Amst		Frank		Paris		Stock		Index		Change	
Banco Com	5900	5900	5900	Amst	1130	1130	1130	1130	1130	1130	1130	1130	1130
Banco Com	5900	5900	5900	Frank	1130	1130	1130	1130	1130	1130	1130	1130	1130
Banco Com	5900	5900	5900	Paris	1130	1130	1130	1130	1130	1130	1130	1130	1130
Banco Com	5900	5900	5900	Stock	1130	1130	1130	1130	1130	1130	1130	1130	1130
Banco Com	5900	5900	5900	Index	1130	1130	1130	1130	1130	1130	1130	1130	1130
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# THE MONEY REPORT

## FIRST COLUMN

### Didn't Know? Capitalism Can Be Messy

Is it a cabbage or a king? Analysts looking at today's corporate environment would undoubtedly have a problem answering even that kind of elementary question as the traditional definitions of corporate business activity become increasingly inadequate.

Most banks have long since ceased to make money out of lending — foreign exchange and the swaps market make a large (but still largely undisclosed) contribution to profits. Similarly, major industrial concerns will often own a large share of the banks they use to help them analyze their markets.

And insurance companies have immense difficulty in making money from writing policies. Many of them are very good at asset management. But isn't that what specialist fund and pension management firms are supposed to be good at?

Maybe. But the large stakes some of the fund groups hold in industrial concerns have made them enticing targets for corporate predators. The thinking is that if you acquire the fund management group, you automatically acquire influence over the corporations in which it has holdings. Given the spreading influence of "due diligence" and notions of shareholder conscience and responsibility, acquiring a fund manager is also an excellent way of exerting an influence on corporate management which is "ethical." This process is translated by some as forcing the favorite liberal prejudice of the shareholder down the throats of company management.

All this might seem rather messy. It is. The important question is whether it is a good thing. And the answer is yes, for two reasons. First, it encourages pluralism and internationalism (the latter being a sadly unpopular concept nowadays) among managers. It is difficult to toss a problem to the bankers to sort out when the bank and its corporate client have large cross-shareholdings in one another. Second, it provides a rare example of the body following the spirit of the commercial world. Industry is messy, as well as being almost incestuously interconnected. That fact has all kinds of implications for fashionable "ethical screening" of investment. It also means that managers who wish to manage effectively should be aware of the need to be polymaths.

M.B.

## Bridging Europe's Insular Insurers

### Careful Cross-Border Shopping Can Pay

By Barbara Wall

MOST of us wouldn't think twice about buying a foreign car if the price and model were right. Yet, when it comes to buying insurance products, the likelihood is that most consumers will plump for a local product, regardless of whether a better deal is available across international borders.

Europe offers an excellent example of this kind of consumer conservatism. In theory, the European Commission's so-called third life directive will create a single marketplace in life insurance and enable every European citizen to buy the same insurance product by mid-1994. But in practice it seems that a number of hurdles have to be surmounted before this becomes a realistic option.

Until insurance companies can offer proposal forms and policy documents in several different languages, many consumers will be understandably reluctant to shop outside their own countries. Insurance contracts are difficult enough for mother tongue speakers to understand, let alone foreigners. And, if a dispute should arise, it may be difficult for the insured to plead his case without spending vast sums on legal assistance. Even if the insured has a minor query or problem with the contract, the language barrier could prove unsurmountable.

"As the market for cross border insurance sales is relatively small and unlikely to increase dramatically in the next few years," said an industry analyst, "it is doubtful that the major insurers will invest much money in cross border sales and marketing — especially if they have foreign subsidiaries which could lose business as a result of such a move."

Nonetheless, even if the insurers seem unwilling to actively market their products to nonresidents, there is nothing to stop individuals approaching the companies directly — or is there? Confusion surrounding the tax treatment of cross-border insurance products may pose a problem for some individuals. According to Ed Nacinovich, assistant manager for the Belgian subsidiary of Italian insurer, Generali, it is not altogether clear how these products will be taxed in the future.

"In most states, the law provides for tax

deductibility of premiums provided the policy is bought from a national insurer. For example, a Belgian, buying a British insurance policy, would not be able to take advantage of these deductions. Until the matter is resolved, the single market in insurance will remain an interesting theory, rather than a practical goal."

Despite the tax handicap, a case can still be made for cross-border insurance shopping. As the graphic illustrates, the disparity between average premium levels for term insurance throughout Europe is striking. While a French national would probably not benefit from buying a British policy, a young Austrian would pay nearly double the premium of a young British or Irish policyholder. Even if tax relief is not available on the policy, the Austrian would still make a significant savings buying a policy abroad.

The widely varying costs are the direct result of the "tariff" versus "free market" countries in Europe, more than the result of different mortality trends in today's Europe. In the "tariff" countries, which include Germany, Austria, Switzerland, Italy and, to a lesser extent, Spain, premium levels have to be approved by the local authorities. This has resulted in a cartel-type situation, where individual insurers charge more or less the same premiums as their national competitors. Generally, these premiums tend to be pitched on the high side compared with average premium levels in the "free market" countries of France, Ireland and Britain.

Before approaching a foreign insurer, consumers will need to be sure they understand how its contract works. For example, German insurance contracts are written on a with-profits basis. The initial premiums, therefore, are not guaranteed.

British and Irish insurance companies are unusual in that most offer discounts for nonsmokers. Amongst the younger generation, a difference of about £10 (£15) a year is not going to be significant, but once you pass the age of 50, the difference between smoker and nonsmoker rates is marked. The average rate for smokers in Ireland is £1,006, compared with £748 for nonsmokers. Insurers from other European countries rarely make a distinction between the two classes.

The attitude towards the AIDS threat among young males has also had an effect on premium levels — particularly in Britain.

## Insurance

Page 13

Insuring unusual risks  
Executives in danger  
Card cover  
Immobile automobile market  
How insurers make money



where rates for this group increased sharply in the late 1980s.

"Insurance companies are now taking a more optimistic view of the situation and reducing rates accordingly," said a spokesman for Commercial Union. But large differences in premium levels do still exist in Britain as a result of the AIDS question, so if you are thinking about buying a British insurance policy it is worth approaching more than one company to compare prices.

As well as boning up on the different markets and contracts, insurance shoppers will have to pay special attention to the currency risk inherent in products of this type. Most insurers will expect clients to pay premiums in the currency of the country where the contract is written. If the exchange rate moves against the insured, he could end up paying higher and higher premiums to mitigate the effects of currency fluctuations. Conversely, the insured may find that the exchange rate has moved in his favor.

Because of the long-term nature of these contracts, it is impossible to predict what may happen with exchange rates in the future.

The Money Report is edited by  
Martin Baker

## Putting a Price on the Art Collectors

By Judith Rehak

THE maid knocks over the Tiffany lamp. A child armed with color crayons indulges in a bit of graffiti — on a valuable Greek sculpture. An elderly woman with failing eyesight is unaware that her Magritte painting has been replaced by a fake.

Such tales are all in a day's work in the fine-art insurance, one of the most specialized segments of the property-casualty insurance industry.

Fine art brokers and underwriters are fond of pointing out that their business is not like insuring autos. "It's not based on a manual, where you just go down until you find the right slot," said Huntington Block, president of a fine-art insurance agency in Washington that bears his name.

One thing does seem to be universal, however. The current cost of fine-art insurance in Europe and in the United States falls into a range of 10 to 30 cents per \$100 of valuation.

Beyond that, a host of variables governs the cost of an insurance policy. First, the value of the art, whether it is pre-Columbian artifacts or a Picasso, must be determined, something that may be done by an invoice from an auction house, or by a qualified appraiser, or both. Then there are such concerns as how the object is being cared for and displayed, frequency of transportation — among residences or in lending to museums (more common in the United States) — the location of the art work (a problem if it is in earthquake-prone California or hurricane-prone Florida), and, of course, protection from theft and fire.



As an example of the details that set fine-art insurance apart, the cost can be affected by the types of paint and materials used by an artist. "You can have a Roy Lichtenstein with a matte acrylic finish. You just touch it with your finger and it can be damaged, and it's almost impossible to touch up," observed Nigel Prescott of Hiscox Syndicates Ltd., a London underwriter active in fine-art insurance.

Then there are nonartistic considerations like "adverse risk." If your art ownership consists of one painting, hanging in solitary splendor on your wall, you may have to pay up to 50 percent more than if the risk of loss or damage were spread among a collection.

The principle also applies, somewhat differently, to big-time collectors. "If you have a total collection valued at \$5 million, you might get \$2 million of it at your New York apartment, another \$2 million at a second home, and \$1 million lent out. So you might just carry a \$2 million policy because it's scattered and one loss won't wipe out the entire collection," said Mr. Block.

The size of an object of art can

have an impact as well. Silver can be more high risk than a painting or piece of furniture. The reason: It's easier for a thief to carry off a piece of antique silver than a Louis XVI desk.

One of the most obvious considerations in art insurance is the burglar alarm, where culture and technology both come into play. "The level and standard of securities systems in the United States is much more advanced than in Europe," said Dietrich von Frank, President of Nordstern Insurance Co. of America, fine-art underwriters.

"The response times of security and direct wire companies is more advanced as well."

There is one hitch to burglar alarms, however. Some collectors simply neglect to turn them on. In Britain, where alarms that ring in the central police station have only come into wide use in the past five years, "people just go around the corner and don't turn it on, and art is stolen," said Mr. Prescott. "Or they'll be sitting watching television in a big house with the alarm turned off, and a robbery will occur somewhere else in the house and they won't realize it. By far the most common theft in the U.K. is during the day."

But while thefts make the headlines, sheer carelessness is the bane of art insurers. A surprising number of claims result from art work falling off the wall because nails come loose or cords fray. Other follies committed by art owners include sending valuable drawings via commercial couriers; in another episode, a silver Etruscan urn valued in six figures was hauled around in a shopping bag until it broke into pieces. Nor are museums immune: Alexandra Schilling of Alexander & Alexander, the U.S. insurance brokerage, recalled an incident where a contemporary

painting lent to an exhibition was torn when an overzealous maintenance person hit it with a vacuum cleaner.

To head off such disasters, brokers and underwriters in fine-art insurance are competing to offer their clients services ranging from such simple advice as not hanging artwork over a working fireplace to supervising packing and transportation of artwork. Many of these brokers, particularly in the United States, sport degrees in art history and have backgrounds in museum work.

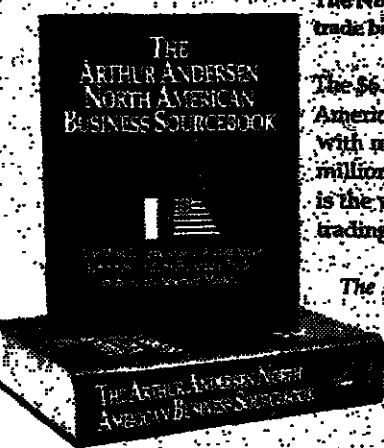
Art insurers and brokers have also become amateur psychologists who pay close attention to, as one diplomatically put it, "the character" of the art owners they insure. "Yes, we insure the object, but mainly we insure human beings," said Mr. von Frank. "It sounds a bit snobbish, but is the art being bought for investment, or is the person a true collector?"

Mr. Prescott is more blunt. "The real collectors really look after their art. The worst clients are the get-rich-quick kind who've decided to put together a collection in two years and show it off to a lot of people."

But in the United States, even serious collectors are seen as being proud of their collections and more ready to lend to museums and exhibit. By contrast, Europeans are more discreet, often because wealth taxes make them reluctant to reveal the value of their art works and discourage them from insuring — one broker in Europe carrying no names. But there are also sharply different attitudes. "In Europe, a piece of fine art may have been in the family forever, and might never have been appraised. It's simply viewed as a family possession," said Ms. Schilling.

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## BRIEFCASE

### Cash Put Into Mutual Funds Plunges 47% In February

Net cash flow into American stock and bond mutual funds plummeted 47 percent in February, to \$15.5 billion from \$29.3 billion in January, according to recent figures from the Investment Company Institute. Redemptions held fairly steady, meaning the fall was due mainly to a lack of new money being invested, rather than money being yanked out of funds.

Bond funds suffered an especially acute decline, with just \$1.1 billion trickling in during February, compared with \$11.1 billion the month before, the industry group said. Stock funds also saw a decrease of incoming cash, down 21 percent to \$14.4 billion from \$18.3 billion.

Such declines are alarming because the American markets have become increasingly dependent on a continuous stream of money from funds to prop them up in what many observers say is an absence of fundamental reasons to move them higher. Since January, stocks and bonds have fallen sharply.

Those declines sent the total value of fund assets a bit lower during the month, to \$2.14 trillion from \$2.16 trillion. A year ago they stood at \$1.75 trillion. One bright spot in the figures is a rise in the liquid assets ratio to 8.9 from 8.3. The ratio, which is the percentage of fund assets held as cash, is seen as a contrary market indicator. The markets tend to move higher when fund managers have less of their clients' assets invested.

### As Hedge, Funds Turning Their Attention To Gold

Bearish about stock markets? The mutual fund industry, which has made a killing from

the rampant bull runs of many major and emerging markets, is now beginning to pivot itself against a potential fall with a series of launches of funds investing in gold. Gold is a classic hedge against falling shares — although it failed to react significantly to the crash of 1987 and subsequent lean periods in stock markets.

The latest fund, styled as being "for the commodity-oriented investor" comes from DB Investment Management, the Luxembourg mutual fund arm of Deutsche Bank.

"Based on investments in bonds which account for a good half of its assets, the fund will invest on the precious metal markets," said the bank, "purchasing gold on precious metal accounts. Investments in silver, platinum and palladium round off the portfolio." The fund will use futures and options contracts, which will enable it "to fully follow the fluctuations of the gold price, despite its investment in bonds." The managers say they expect the gold price to improve to \$400 an ounce within a year.

Initial charges are 3 percent, and all income is reinvested.

For more information, call DB Investment Management in Luxembourg at (352) 42101 835.

### Money Machines In Moscow: But At What Exchange Rate?

After the Berlin Wall, the hole in the wall. Great capitalist triumphs of the late 20th century now include the extension of Western-style cash delivery. According to Euro-pan International, the organization that represents the linking of the Eurocheque, Eurocard-MasterCard and Cirrus cardholders, a new line of automated teller ma-

chines (ATMs) has become available in Russia.

"First there was Prague in February '92, then Budapest in '93, and now Europe's International, working with local banks, is providing a common ATM network in Eastern Europe — this time in Moscow," said Ron H. Williams, chief executive officer of Europan International.

Let's just hope that the rates cardholders get from ATMs in Moscow compete with what is available on the street.

### If You've Got \$300,000, Smith Barney Wants To Talk

If you have \$300,000 to invest, and the concept of a multiadvised-managed futures hedge fund appeals, Smith Barney Shearson may have the product for you. The firm has just launched the SBS Overview Fund, which offers investors access to global markets, some of them highly specialist or "nonconventional." The firm says that investors with existing stock and bond portfolios might consider the fund as a way of potentially increasing portfolio returns while lowering the level of risk.

The trading manager of the fund is Smith Barney Shearson Futures Management Inc., which has more than \$600 million under management. The money will be spread across five traders and three hedge funds. The fund will be listed on the Irish stock exchange and is not open to Irish or U.S. citizens.

Readers are advised that the fund is for experienced investors only, and professional advice should be taken before investing. For more information, call Smith Barney Shearson in London at (44) 71-548-5567.

مكازم الأصول



## THE MONEY REPORT

# Risk-Filled Times for Battered Insurers

By Conrad de Aenle

HERE is no safe place to be an insurance company today. The investment markets, which insurers count on to turn losses into profits, have turned treacherous. At the same time, the premiums they charge have peaked in many markets, something that is likely to be good for policyholders but not for shareholders.

"They're just re-emerged back into profit after two or three years of losses," Kevin Ryan, an insurance analyst at the brokerage of Pannure Gordon, observed of the British market. "There was too much capacity and competition. They've been slashing their margins, and while they've done that they've lost money. In the last 18 months, seeing the size of the losses, they've hiked rates up. Now they're going to compete again."

British insurers are ahead of their Continental counterparts in the cycle of rises and falls in premium rates, said Andrew Goodwin, who follows European insurance companies for UBS Ltd.

"The underwriting cycle in the U.K. is at a peak; the question is how far it deteriorates over coming years," he said. "We've also seen quite a recovery in the Italian market. We feel underwriting results are getting close to a peak. Rates, if anything, are still moving up, but only marginally. Then you go to other European markets and you're at much earlier stages of recovery."

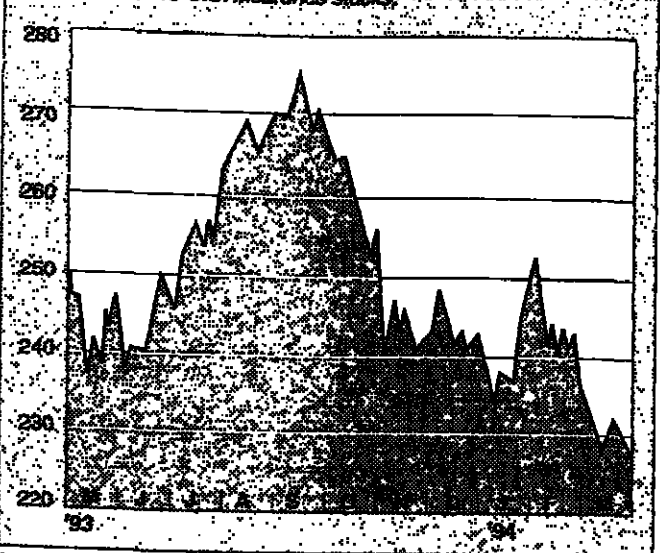
In Germany, for instance, rates have been moving up the last couple of years and are likely to continue to do so, Mr. Goodwin said. He expected German insurers to have earned about the same last year as in 1992, which was a profitable year, and to earn still more this year and next.

Even further behind in the cycle is France, where, he said, "we've seen a better trend in the commercial property market although rates haven't been quite as sharp as in Germany. France is actually probably the lagging one in the major European insurance markets."

Shares of leading insurers like Allianz of Germany and Generali of Italy have done well in the last year, while those of British compa-

## Hard Hit in the U.S.

S&P index of 16 U.S. insurance stocks



Source: Bloomberg

nies have had only fair performance in many cases. Charts of most companies, wherever they are, show sharp declines in the last three to six months, especially compared with the broad equity markets.

"What has been dominating share prices is interest rate trends," Mr. Goodwin said. "Prices are falling because of bond prices," which have been dropping sharply in most markets for several months.

The decline in insurance shares has been particularly acute in the United States, where yields on long-term Treasury bonds have risen past 7 percent from about 5.75 percent. Since September, Standard & Poor's insurance composite index has declined nearly 20 percent, to 227 from 275. Some of the worst performers among American insurers are health and life companies, which are more sensitive to interest rates than property and casualty insurers.

"The life and health sector has been the hardest hit in the insurance industry spectrum due to interest rate expectations," said Adam Klaber, an analyst at Duff & Phelps. "The fundamentals probably won't be hit as hard as

stock prices, but they've been slammed in the last six months."

Before that, "they had been doing relatively well. Lower rates had helped not only margins but volume, as well." By that he means that they had been able to sell more investment products like annuities, which have some features of a life insurance policy but are like mutual funds in many respects.

Interest rates are critical for insurers because they determine in large measure the investment gains they earn on customers' premiums between the time they are paid and the time they are paid out in claims. Without those gains, there is seldom profit. In only three of the last 23 years did British insurance providers show profits on their underwriting business alone, Mr. Ryan noted.

A key number for the industry is the combined ratio, which is based on the sum of an insurer's expenses and losses resulting from claims, minus premiums. A figure under 100 represents a profit. Will Dineen of Argus Research said that American companies have been running ratios of 106 to 110, right around the historical average. "There are very few times in history," he said,

"where they've ever written at 100 percent."

"The whole reason you write insurance is to bring funds in to invest," he added. "Depending on how long you can hold onto those funds before you pay out losses, you can make a lot of money."

As important as investment earnings are, an insurance company "doesn't make widgets," Mr. Ryan said. "It's got to insure something."

It is this fact that explains the underwriting cycle. With competition stiff in many major markets, policyholders are likely to get a break on prices. An exception is in Continental Europe, where, Mr. Goodwin said, "policyholders will be paying more for their insurance because rates are tending to rise faster than inflation."

In Britain, by contrast, "we're seeing price rises flatten out and in some cases fall," said Mr. Ryan, adding that rates are likely to stay low for some time.

In the United States, Mr. Dineen said, "the small rate-payer has probably already seen some increases, [but] some dumb capital is moving in, with price cutting going on. You might say the curve has turned down."

Dumb capital is probably how many shareholders would describe their investment. "Some companies' stock prices haven't moved in years, at least not upwardly," Mr. Dineen said. "All in all, no insurers have done well in the last couple of years."

The battering has been so thorough, however, that some adventurous buyers are stepping in. "The thing that's happening now is people are realizing a lot of good companies got hit as much as bad companies," he observed. "The sentiment is turning to the fact that you need exposure to the financial sector. You just have to decide which are the good ones that you want to own."

In some cases, though, investors are in no hurry. "In general, of the life insurance companies I follow," Mr. Klaber said, "I'm not really looking for stocks to rebound that much in 1994. 'Why should I buy an insurance stock if I expect interest rates to keep going up? That's the psychology in the market right now.'"

# War Zones: When You Really Want Out

By Michael D. McNickle

KEN RUTHERFORD hit a landmine. The U.S. expatriate was on his way to a business meeting in Somalia when his Land Rover triggered an armor-piercing bomb—blowing his vehicle into the air. When it landed, Mr. Rutherford said, it looked as if it had been "dipped in a blender."

The expatriate was medically evacuated to Geneva, and then repatriated to his hometown in Denver. Mr. Rutherford, who is an employee of the International Rescue Committee, said that medical expenses have exceeded \$250,000.

Most international executives steer clear of war zones. But what happens when one is caught unexpectedly in midst of turmoil? Experts say that what expatriates may not realize is that almost all medical, death and disability insurance policies do not cover injuries sustained through any kind of political conflict. The list of situations in which insurance is void is long and includes war,

civil unrest, coups and attempted coups, insurrection, revolution and terrorism.

Andrew Thacker, Director of Fenchurch International Ltd., an insurance brokerage in London, said that international employers are increasingly checking and buttressing policies for expats whose territory extends beyond the beaten path. Such incidents as the siege of the Russian parliament building last October tend to make benefit managers nervous.

Mr. Thacker said his firm has recently "had a number of inquiries, for example oil company executives going to Siberia."

"And we normally suggest that they do take out some sort of war cover because [while] there's no problem at the moment, you really don't know what's going to happen."

The rates for this sort of cover vary a lot and depend specifically on where the expat is going and any particular risks that might be connected with his occupation. In general, however, Mr. Thacker said \$100,000 in accidental death and disability would run about \$300 for a middle-aged executive. A medical

policy that would take effect in the event of trouble costs about \$1,000 and would only cover the expat outside the United States. The policies are not for someone who plans to visit a war zone. They only cover people who unexpectedly wind up in one.

Evacuation can also be a major expense. Mr. Rutherford notes that his medical evacuation from Somalia, which required three pilots, a doctor, nurse and stewardess, cost about \$100,000. This was covered by his employer's contract with S.O.S. International. He also credits them with saving his life.

Michael Kelly, president of S.O.S. in Philadelphia, said the company recently had begun offering security evacuation services in addition to their traditional medical assistance service. Mr. Kelly said that "in the event that there's a political uprising or turmoil, we provide a service where we send a plane."

He said that the company just evacuated 200 people from Algeria. The cost for the security insurance is \$100, and is available to people who sign up for their medical evacuation policy, which is \$340 a year.

# Offbeat: Singers' Voices, Runners' Legs

By Philip Crawford

IMAGINE the following scenario: Your employer has temporarily assigned you to an area of the globe where social unrest and violence are prevalent. If you decline the posting, you're fired.

You have an adequate package of health and life insurance benefits to protect you and your family, but moving into an area where the probability of physical injury is relatively high prompts you to seek some additional coverage. There's a small problem, however: None of the mainstream insurance companies will touch your situation because it's too risky. Where do you turn?

Enter the world of specialized insurance, or "surplus lines," where protection against anything from an executive kidnapping, the giving of bad financial advice, the spilling of nuclear waste to the degrading of a wife expert's taste buds can be bought if one is willing to pay the premium. The explosion of high technology, an increasingly litigious global society, and the high profits to be made from nonregulated contract insurance have made specialty underwriting a growth industry, valued at about \$7 billion annually in the United States alone.

New things to insure crop up constantly, say experts. For example, how many individuals or companies 25 years ago would have needed to insure the crashing or burning of a computer data base? Now, it's a niche market. Professional investment advice and financial audits are more often charged with negligence amid today's legal climate, prompting some account-

ants, stockbrokers and investment advisers to insure themselves for protection.

And those planning to take an exotic trip, such as an African safari, now often deem it prudent to buy ancillary medical coverage to provide for the financial consequences of being mauled by an animal or contracting a rare tropical fever. The possibilities are virtually unlimited.

"You can insure anything," said Nick Doak, a spokesman for the venerable insurer Lloyd's of London, which, despite its recent well-publicized financial difficulties, is still acknowledged as the world leader in writing insurance for specialized risks. "Provided you can show an insurable interest."

And what is an "insurable interest?" In the world of specialty underwriting, a rough definition might be anything deemed by an insurer to be a bona fide liability, of virtually any form, which through the course of possible events could cause someone financial damage.

The key to executing a specialty contract, moreover, is the ability of a broker, acting on behalf of the person seeking insurance, to come to an agreement with the insurer on the limits of a possible claim. The value of the asset being insured, be it a prize diamond, a rock star's timely appearance on stage, or one's ability to dunk a basketball, forms the basis for policy limits.

"Take the case of a professional athlete wanting to insure his body," said Mr. Doak. "A marginal player who sits on the bench would have a problem insuring his legs for, say, \$10 million, because a broker would have difficulty convincing an insurer that the legs could ever be worth that much. But a star player who makes millions a year and has endorsement contracts

might indeed be able to show that his potential loss of income would be huge if he were permanently disabled."

In such a scenario, however, the star athlete's lifestyle would still be thoroughly examined before the policy could be written. "The underwriter might say, 'What's this fellow do in his spare time?'" Mr. Doak said. "If the answer is 'He skis,' the underwriter might say, 'Either he stops skiing or the premium doubles.' A person thus insured could not expose himself to undue risk."

The rise in white-collar crime has led financial institutions to start protecting themselves against what is referred to as "balance sheet risk," or anything that can catastrophically damage financial health. Such possibilities include invasion of computer systems, which can result in fraudulent transfer or theft of funds, sabotage of financial records, and the holding of ransom for a very valuable asset: the chief executive.

"In analyzing such situations, one has to identify exactly what the risks are, how much they should be insured for and, of course, what is insurable," said Francis deZulbetta, a director of Special Risk Services Ltd., a London insurance broker specializing in balance-sheet risk.

Mr. deZulbetta said that a large European financial institution involved in banking, stockbroking and fund management might take out a blanket policy to provide, say, £100 million in protection against a range of such risks. Such a policy, he added, would carry a premium of £2.5 million to £5 million.

In the United States, one reason for the growth in the specialty insurance industry is that, unlike in Britain, it is less regulated than traditional lines regarding premi-

um rates and contract forms, and therefore often more profitable. According to the Insurance Information Institute, a U.S. trade group, the premiums for standard life, homeowner, and auto insurance policies are often a fraction of 1 percent of the amount of coverage bought. With specialty insurance, premiums can reach 10 percent of the coverage ceiling and even higher in some cases.

"It's much more profitable to insure Phil Collins's voice than it is to insure Phil Collins's house," said Steve Goldstein, an institute spokesman, referring to the rock singer.

A trend, say U.S. industry sources, is for large, mainstream U.S. insurance concerns to form subsidiaries to tap into specialty markets. Among those to have done so are American International Group, Nationwide Mutual Insurance Co., and General Re Corp. State regulatory climates on standard markets, moreover, appear to be ever-tightening.

"In the U.S., insurance can't be placed in the surplus market unless it is not available in the licensed market," said Richard Bouhan, executive director of the National Association of Professional Surplus Lines Offices, known as NAPSLO, in Kansas City, Missouri, a trade group for specialty brokers and insurers. "And since regulation on standard markets is becoming more difficult, there are more opportunities for specialty lines."

Mr. Bouhan said that liability insurance for day-care centers, amusement parks, and companies dealing with hazardous waste were other examples of specialty markets. "Take the example of nuclear waste," he said. "The people who generate the waste, haul it, and then store it all have to have coverage."

# Don't Overlook Protecting Your Plastic

By Barbara Wall

CREDIT cards are a flexible and convenient alternative to cash, but if they fall into the wrong hands the cost to the cardholder can be crippling. A spokesman for the European Bureau of Consumers' Unions, or BEUC, said that a "significant" number of banks in the European Union hold the cardholder fully responsible for losses prior to notification of the loss or theft of a card, even in cases where no gross negligence is involved.

This practice runs contrary to the terms of a European Commission recommendation, published in 1988, that puts a maximum threshold of 150 Ecu (about \$173) on the customer's liability prior to notification of card loss or theft. "Until binding measures are introduced, it is unlikely that the recommendation will have much effect in the face of such a powerful European banking lobby," warns Laura Mosca, consumer affairs spokesman for the consumers group.

Visa and MasterCard, the two largest card groups in Europe, can do little to improve the situation. "It is up to individual card issuers—namely the banks—as to how they deal with the question of cardholder liability," said a spokesman for Visa. "Our advice to consumers is to shop around to find the contract which best suits their requirements."

The problem being that it is not unusual for issuers to supply the terms of the contract after the contract has been signed. This is certainly the case with issuers in France, Spain and Belgium, while German card application forms indicate that the client will get the terms with the card, unless he explicitly asks for them to be forwarded before the conclusion of the contract.

Some countries have a worse record than others in protecting consumers' interests. Banks in the Netherlands and Britain are bound by fairly strict codes of practice that limit cardholder liability to 150 Ecu or £50 (\$75) prior to notification, though Dutch banks can raise this threshold if any negligence is involved, or if the card loss is not reported promptly.

The lowest marks go to banks in Spain, Greece, Italy and Portugal. A recent report published by the Portuguese Association for the Defense of the Consumer said that none of the Portuguese banks surveyed took notice of the Commission's recommendation. And in Greece, Spain and Italy the situation is not much better.

In some cases, a client's responsibility does not end after notifying the bank. According to the consumers' group, "the majority" of Portuguese contracts specify that the cardholder is freed from liability only 48 business hours after receipt of the written notification. So, if the card is lost on Friday evening and the victim notifies the

bank in writing immediately, the chances are that he will still be held liable until the following Tuesday.

"Even in Belgium and France, too many banks pay lip service to the Commission's recommendation," said Ms. Mosca. The contract holder's liability will often depend on whether a personal identification number, or PIN, has been used in the transaction. French banking giants, Credit Agricole, Credit Lyonnais and Credit du Nord expect clients to cover their losses prior to notification if money has been withdrawn from an automated teller machine. However, once the banks have been notified of card theft or loss, the customer is freed from responsibility.

"If the PIN falls into the wrong hands, the banks automatically assume that the cardholder is guilty of negligence," said Jean Allix, a member of the Commission's Consumer Policy Service. "Yet, it is not too difficult to imagine scenarios where this can occur without any negligence being involved."

Horror stories abound of cardholders being forced to reveal their PIN as they are about to withdraw money from an ATM, and reports of clever card frauds, where no violence is involved, are becoming increasingly common.

In Paris, for example, local police have had to deal with complaints from the victims of professional fraudsters. A police spokesman said that, in most cases, the fraud occurs at the weekend or during the evening after banking hours, and two men are invariably involved. The trick is simple as it is effective: After tapping in the PIN, the victim's attention is momentarily diverted by one fraudster, who claims he doesn't know how to use the machine. In the meantime, his confederate waits for the card to emerge from the machine and swiftly pockets it without the victim noticing. The victim assumes that the card has been swallowed by the machine. By the time the fraud is uncovered, the perpetrators have made full use of the credit-card limit.

The consumers' group is less critical of the travel and entertainment cards issued by American Express, Diners Club and JCB, the Japanese card issuer. All three organizations emphasized that they would not hold the cardholder responsible for losses prior to notification provided the loss or theft was reported promptly and any subsequent investigation upheld the claim.

If in any doubt about your obligations, it might be worth committing a modest annual premium to a card insurance policy. The main providers in Europe are Sentinel and Card Protection Plan. Although both groups have their head offices in Britain, they have policyholders from most countries and territories in the world.

Sentinel charges clients £8 a year, covering of up to £1,000 prior to notification. The period of coverage is restricted to two days fol-

lowing the loss or theft of a card, but once the loss is reported the cover is unlimited.

Card Protection Plan costs £7 a year and policyholders are covered for up to £1,000 provided they report the loss or theft within 24 hours.

"If the policyholder fails to report within this time, we may still provide cover, depending on the merits of the case," said a company spokesman. Both plans offer additional benefits including emergency cash advances, a card-loss reporting service and key retrieval service. The card-loss reporting service can be invaluable for clients with more than one or two credit cards. On the loss or theft of a wallet or handbag, customers can call and the staff at either of the firms will cancel the cards on their behalf and order new ones.

"Without the service, cardholders would have to phone around the various issuers—a time-consuming and extremely frustrating process if they do not have the card details to hand," said Hamish Ogston, chairman of Card Protection Plan.

The card issuer may also offer a card indemnity scheme, though this is unusual in countries where implementation of the Commission's recommendation is poor.

Credit Lyonnais is among a handful of banks in France that offer customers a card insurance package. An outlay of 12 French francs a month will buy up to 6,000

francs of coverage prior to notification of the loss or theft of a credit card. The scheme will also reimburse clients a token amount for the inconvenience caused by the loss of personal effects such as passport, driving license and residence papers.

You may have to shop around to find an insurance scheme which is suitable. But if you are in any doubt about the terms of your card contract, or if the issuer is known to take a hard line in cases of card misuse and cardholder liability, the effort will be worth it.

# Insure Cars at Home

OPPORTUNITIES for cross-border car insurance sales are virtually nonexistent and are likely to remain so for many years to come.

"It will take some time before the enabling legislation is introduced in the member states," said Bob Anderson, chief underwriter for Commercial Union in Britain. "And, even then, insurers will be deterred from offering products on a pan-European basis because of the administrative costs involved."

In addition to setting up claims departments and sales teams in the target markets, insurers will have to pay dues to the host country's policyholder protection fund. These funds are set up to protect the consumer interest in situations where the insurer defaults.

"Unless the market is sufficiently large, cross-border car insurance sales would make little commercial sense," said Mr. Anderson.

From the consumer's point of view, car insurance is not really a major financial concern, according to an industry analyst. "Even if the foreign policy worked out cheaper, most consumers would prefer to buy locally because of the convenience factor."

Finally, there is no guarantee that an Italian national, say, who subscribed to a British insurance contract would pay the same premium as his British counterpart. Premium levels are based on risk. The rate offered to an Italian would, therefore, reflect the risks of driving in Italy as opposed to the risk in Britain.

Taking all these factors into account, foreign customers would probably be better off buying a local product, industry analysts say.

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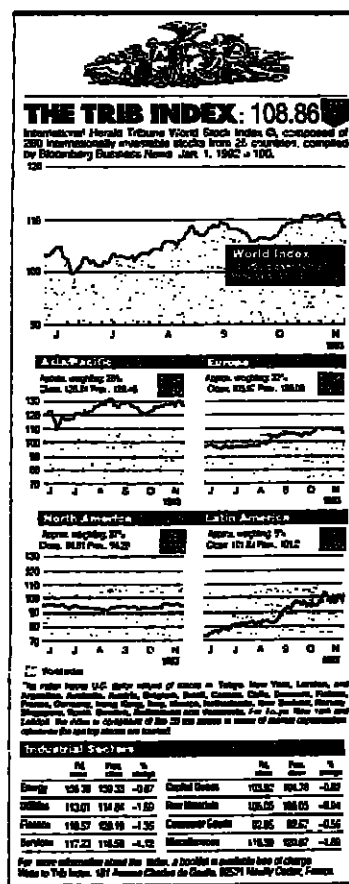


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## SPORTS

## A (Blue) Devil-May-Care Big Man

## The Offbeat Cherokee Parks Has Helped Inspire Duke

By Barry Jacobs

New York Times Service

DURHAM, North Carolina — The banter was vintage Cherokee Parks. Like the rest of his Duke teammates, Parks was playing tenacious defense against Purdue in the National Collegiate Athletic Association Southeast Regional final March 26. The 6-foot-11-inch (2.11 meter) center, who set a school record with 10 blocked shots in a game earlier in March, had immediately established a commanding presence in the lane, blocking the first shot attempt by Glenn Robinson, Purdue's all-America forward.

Yet, busy as he was, Parks still found ample opportunity to indulge in his idiosyncratic brand of on-court patter, using Robinson's nickname to get himself and his teammates going.

"The whole game, Cherokee's calling us 'Big Dog,'" Tony Lang, a Duke senior, said. "Let's go, Big Dog. Yeah, Big Dog." So I think Glenn was getting mad, because Cherokee was calling everybody out there 'Big Dog.'"

The talk wasn't directed at the struggling Robinson, though. Rather, it was Parks' way of having fun and maintaining concentration, part of being what Lang fondly calls "a character." And part of what put the Blue Devils in the Final Four for the seventh time in nine seasons — they were to face Florida in the second game Saturday.

"I'm more fired up these last couple of games, down the stretch," Parks said.

"I'm just trying to be as intense as I can. On the floor. In the locker room. Before the game. After the game. Just trying to get everybody on the team fired up. It's helped me out a lot, really kept me more focused."

Parks also loudly tallies his rebounds as he runs up court. "You can't catch me!" he shouts at teammates — and strives to come up with odd comments at tense moments to help others relax.

That lightheartedness wasn't appreciated in previous seasons by older teammates like Christian Laettner, Thomas Hill and Bobby Hurley.

Parks played a key reserve role on Duke's 1992 championship squad, but often ran afoul of Laettner, who questioned the Californian's competitiveness and tried to provoke him verbally and physically. Last year, inconsistent play by Parks and Lang often irritated the team's seniors.

This season, though, Parks has emerged as a dependable player. And his personal style has fit

**He wears his hair long, still listens to message-laden heavy-metal music, and has added a personally designed tattoo of an Aztec sun god to his ankle.**

well with the easygoing, personable tone set by seniors Lang and Grant Hill.

"I think Cherokee, his personality, has really helped us a lot, the fact that we feel more loose when we're out there playing," Lang said.

"We're not uptight, because you just look at Cherokee and you get a laugh."

Parks arrived in Durham three autumns ago with hair dyed burgundy, a reputation as one of the best big men in his class, and an attitude that placed a higher priority on being a college student than on advancing his professional basketball prospects.

Unlike most Duke players, Parks had a modest background in the game. He began playing basketball in the eighth grade, and grew up primarily with his mother, whose interests ran more toward alternative lifestyles than to sports.

The first thing that Parks changed at Duke was the color of his hair, which is naturally light brown. But he remains unconventional. He wears his hair long, still listens to message-laden heavy-metal music, and has added a personally

designed tattoo of an Aztec sun god to his ankle. Parks is proud, too, that his perspective hasn't changed.

"I'm still a college student first, definitely," said the history major, fresh from pulling an all-nighter to prepare for an exam in Roman history. But, he conceded, "Basketball probably consumes most of my time."

That devotion to the game, however grudgingly given, has paid increasing dividends. "Cherokee has really kind of developed in a nice progression," said Mike Krzyzewski, the Duke coach.

Last year, Parks led Duke in rebounding and blocked shots, and paced the Atlantic Coast Conference in field-goal accuracy (65.2 percent). This season he again leads the Blue Devils in rebounds (8.3 per game) and blocks (7.1).

Parks also has improved his scoring average, from 12 points per game last season to 14.5, second only to Hill on the team. Like Laettner, and big men before him, Danny Ferry and Mark Alarie, the fleet junior has made himself more difficult to defend by extending his effective shooting range to just inside the 3-point arc.

Still, Parks continued to disappear on occasion this season, and slumped noticeably through February. Fortunately for Duke, though, his level of play has peaked just as the season reached its crescendo.

"Cherokee in the last month has been so much more outspoken and so much more mature," Krzyzewski said.

"You know where he's at. He's shared that with his teammates. He's emotional on the court. He shares that emotion. Talks in huddles. So it's like, he's an addition and that makes us better."

Just how much better has been manifest during the tournament.

"I think if we win this thing," Krzyzewski added, "a lot of it will have to do with how well Cherokee plays. Because he now has an impact on both ends of the court. Big, big impact."



Milwaukee's Todd Day blocked a last-minute shot by Portland's Terry Porter that would have tied the game. Day came down with the rebound, then hit a 3-pointer to secure the Bucks' victory at home.

## Sonics Beat Lakers by 3 On Kemp's Late Surge

The Associated Press

Magic Johnson brought the Los Angeles Lakers' showtime to Seattle, and Shawn Kemp turned it into a showcase.

Kemp scored six of the Super-Sonics' last seven points and fin-

## NBA HIGHLIGHTS

ished with 28 points and 12 rebounds in Seattle's 95-92 victory. It was Johnson's first loss in three games as the Lakers coach.

"Shawn was fantastic," said the Sonics coach, George Karl. "He made some big plays."

Two of the biggest Thursday night were his three-point play that gave the Sonics a 93-88 lead with 2:23 left and his rebound of Tony Smith's intentionally missed free throw with 2.3 seconds left, assuring Seattle's 10th straight home victory over the Lakers.

"When he's on his game, no one in the league can stop him," Sam Perkins said of Kemp.

Johnson was upbeat after the loss, saying his team's effort on Seattle's home court would help in upcoming home games against the Houston Rockets and Atlanta Hawks.

Hawks 106, Kings 102: Atlanta handed Sacramento its sixth straight loss as Kevin Willis scored 16 of his 29 points in the fourth quarter and grabbed 21 rebounds.

Mitch Richmond, who scored 26 points for the Kings, missed a 3-point attempt with 14 seconds left and Sacramento trailing 103-100. Willis then hit two free throws and Mookie Blaylock one in the final seconds, sealing the victory that gave the Hawks their first 50-victory season since 1988-89.

Suns 117, Clippers 102: Cedric Ceballos scored 32 points and Charles Barkley led a 55-31 rebounding advantage by Phoenix with 17 rebounds at Los Angeles.

Dominique Wilkins scored 28 points and Ron Harper 19 for the Clippers, who have lost four straight games and are 0-4 against the Suns this season.

Bucks 111, Trail Blazers 109: Ken Norman scored a season-high 37 points and had 13 rebounds as Milwaukee defeated Portland, only its 10th victory in 36 home games this season.

The Trail Blazers lost their third straight game despite a season-high 36 points from Terry Porter and 33 by Clyde Drexler.

Portland led 59-47 at halftime, but Norman personally outscored the Blazers 16-13 in first nine minutes of the third quarter.

Portland got within 2 points four times in the fourth quarter, the last time on Porter's 3-pointer at the buzzer.

Suns 101, Cavaliers 85: San Antonio won its fifth consecutive game as David Robinson scored 11 of his 26 points in the fourth quarter against Cleveland.

The visiting Cavaliers, who were led by John Williams with 21 points, drew no closer than nine in the final period as Robinson kept them at bay.

## New English Fears For Berlin Game

Compiled by Our Staff From Dispatches

LONDON — A representative of England's soccer players on Friday again questioned the wisdom of playing an international exhibition match in Berlin on Adolf Hitler's birthday.

"We are concerned about the safety of players going into such a volatile situation," said Gordon Taylor, chairman of the Professional Footballers Association. "We sympathize with the view that it would be better if this game didn't take place on April 20."

But the English Football Association insisted that the match would go ahead despite fears that players may face danger from political extremists. The FA admitted, however, that it was keeping a close watch on the situation in Germany, where there is a threat of violence at the match.

Extremists from both ends of the political spectrum have threatened to demonstrate at the game, which was moved to Berlin after Hamburg withdrew as host because of concerns over potential violence.

"We are monitoring the situation closely and keeping in touch with our German counterparts," said an FA spokesman, David Bloomfield. "But as far as we are concerned, the match goes ahead."

Said Taylor, who is seeking talks with the FA about the situation: "It is an insensitive day to play. I imagine club chairmen will be worried when they realize what might happen."

Last month, the headquarters of the Berlin soccer headquarters was attacked, and the police suspect leftist protesters. German security officials have indicated that Dutch, English and French hoodlums are planning to meet in Berlin to battle German rightists.

The game is seen as an important warm-up for Germany as it prepares to defend its World Cup title this summer in the United States. It will be the second game for England under its new manager, Terry Venables, who is rebuilding after the team failed to make the World Cup finals.

(AP, Reuters)

## The President as Top Hog: Good News or Bad?

By Thomas Boswell

Washington Post Service

WASHINGTON — George Washington supposedly threw coins across rivers. Abe Lincoln was a log splitter and wrestler. Teddy Roosevelt hunted big game. Dwight Eisenhower was always on the golf course. Jack Kennedy, who hurt his back being a World War II hero, refused to stop playing touch football, even against doctors' advice. Jerry Ford was a football all-American. George Bush would play five sports in a day and captained a college baseball team that twice reached the national championship.

For a couple of centuries, it was axiomatic that the leader of a vigorous, young nation would grab life by the scruff of the neck and challenge it personally. The idea that the most important man in the world would get passionately excited about rooting for somebody else was the exception.

The only commander in chief whose voluminous knowledge of sports trivia exceeded his own athletic exploits was also the only president who stepped down after being threatened with impeachment.

Now, we have President Bill Clinton — a totally new breed of cat. Or, rather, Hog. He likes to study basketball box scores and root for the Arkansas Razorbacks. We've reached the point where one of our youngest presidents is a participant, but connects with the world of sports most passionately as a spectator. Yes, it's different. Possibly a trend. Maybe even a symbol.

When it comes to games, our president is typical of his generation. (Maybe it takes a Baby Boomer to know one.) Clinton illustrates a contemporary paradox: the intense and successful person who can also be a couch potato.

The president jogs to stay in shape, but he has also paused when a McDonald's looms in sight. He enjoys the outdoors and plays golf, but in a cart with a cigar in hand. He can't get enough of those sports stats. His specialty is basketball, but

when he called Jerry Jones and Jimmy Johnson after the Super Bowl he immediately started talking about interior line play.

All in all, he's one of our genial, re-hooting moderns who passionately loves his teams but never played the tough games very much himself.

It's fun to see a chief executive who's self-deprecating enough to wear a fire-engine-red Razorback hat and memorize every detail of Arkansas games. The school routinely faxes its postage press notes to the White House.

Presumably it would take quite a crisis to keep Clinton away from Charlotte when Arkansas faces Arizona in the Final Four on Saturday. This is a man who mentioned in passing to Sports Illustrated that Corliss Williamson averages 27 minutes a game. Not 28 or 26, mind you. We're talking about a radio-call-in-show level of absorption.

Clinton doesn't just greet U.S. Olympic champions. He goes on the court and exchanges affectionate, undignified bear hugs with the Razorbacks' coach, Nolan Richardson. The president doesn't even pretend that all teams are equal in his eyes. He wants his Hogs to stampee the Final Four. Electoral votes? Who needs 'em. Give him credit. He's no phony.

Clinton's love of the Razorbacks is so legit, so close to the bone, that you both admire his honesty and wonder about his origins. Isn't it a bit unsettling to see a president who identifies so strongly with a game whose roots are almost the antithesis of his own experience? Clinton's basketball career peaked as a reserve on the Oxford University B Team. Yet he rhapsodizes about falling in love with The City Game.

My generation loves to identify with what it is not. In our heart, perhaps we do not see ourselves as being cool or hip by nature. But we deeply wish to be those things, even at the risk of looking pretty silly. Often, that connection with hipness is made through rock music or sports.

Now, we have a president who wears shades and plays the sax at his Inaugural Ball. The Razorbacks sent Clinton some

of those baggy basketball shorts that are the most comically hideous fashion mistake since the Mohawk haircut.

Does all of this concern for appropriateness merely reflect an eclectic breadth of view? Or does it imply a bit of an identity vacuum?

(Surely, it must indicate the former. Otherwise, I might have to take off my rugby shirt since I never played rugby. Or my Braves baseball cap.)

Will the day come when watching, rather than doing, is the hallmark American trait? What is Vice President Al Gore's beloved information superhighway but the ultimate opportunity to be a spectator? Sure, sure, there are tons of socially useful and job-related applications for this technology. But talk to some of the people who are building the cutting-edge stuff. They're searching for what they call The Killer Application — the gimmick that makes everybody buy the gadget — and that application is always assumed to be entertainment.

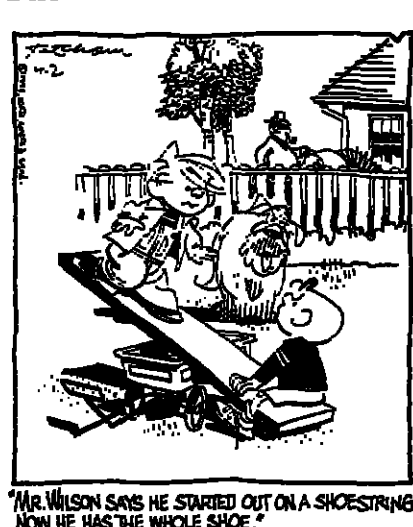
By the end of the century, we'll be able to watch any movie, any TV show or any sports event any time we wish. We can structure our whole life around a custom-designed viewing schedule. What is "interactivity" but a new form of spectating with icing on top?

WE HAVE seen presidents before who root for their local teams. George Bush, who adopted Texas as his home, got in trouble in Washington once for saying he hoped his Houston Oilers would beat the Redskins. Still, Clinton's a new phenomenon. Have we ever seen a president who critiques the coach's substitution pattern and knows how many 3-point shots some substitute guard once made in a row?

Have we ever had a president who might be invited to help cut down the net?

Few people watch more games than I or enjoy it more — both for a living and for fun. But then I don't think I should be president. Should I be flattered or worried when the guy in charge acts so much like me?

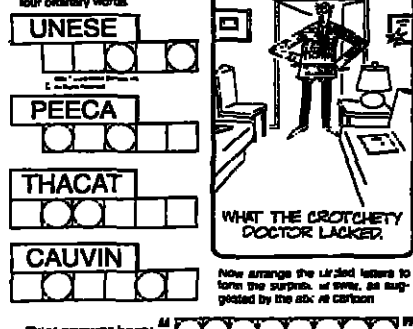
## DENNIS THE MENACE



MR. NELSON SAYS HE STARTED OUT ON A SHOESTRING. NOW HE HAS THE WHOLE SHOE.

## JUMBLE

Unscramble these four jumbles, one letter to each square, to form four ordinary words.



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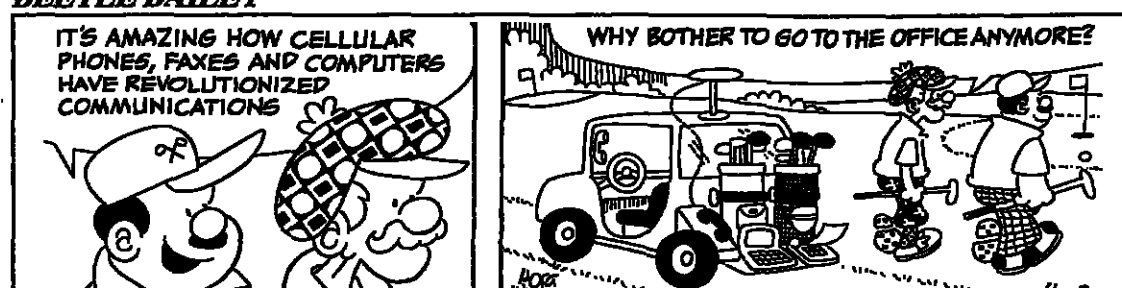
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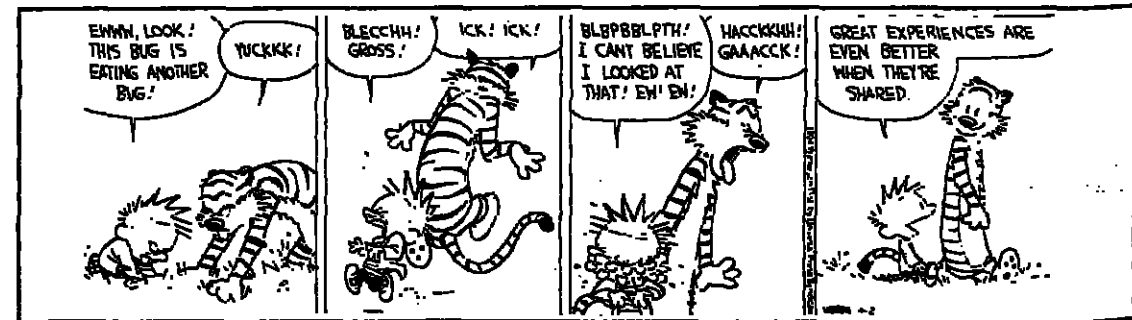
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